सत्यमेव जयते

GOVERNMENT OF INDIA

REPORT OF THE WORKING GROUP ON FINANCIAL AND FISCAL MEASURES

सत्यमेव जयते

COMMITTEE ON UNEMPLOYMENT
MINISTRY OF LABOUR AND REHABILITATION

NOVEMBER 1972

CONTENTS

PAGE

CHAPTER 1. *Introduction* 1

CHAPTER 2. *Strategy for an Employment Policy* 4

Structure of Employment and Unemployment . . 4

Employment in Organised sector 7

Rural Sector 9

Planning Strategy and Practice 10

Mahalanobis Model 11

Fourth Plan 11

Neglect of Wage Fund 12

Implementation 13

Heavy Investment Strategy 15

Alternative Approaches to Strategy of Planning and their Evaluation 18

Poverty Eradication 18

Multi-level Planning 19

Implementation Problems 20

Recommendations on Strategy of Planning for Employment 21

Conclusions and Recommendations 24

CHAPTER 3. *Technical, Financial and Fiscal Measures* 25

Economic Framework 25

Fiscal, Financial and Technical Devices 26

Sectors of Indian Economy 27

Review of Incentives 29

Fiscal Incentives 29

Financial Incentives 30

Measurement of Incentives 30

Tax Holiday 30

Development Rebate 31

Interest Concessions 34

Price Preference to Small Scale Units 36

Combined Central Incentives 36

Central and State Incentives 40

PAGE

Criteria for Incentives 42

Capacity Utilisation 44

Labour Intensive Techniques 44

Labour Intensive Commodities 45

Regional Dispersal of Industries 45

Exports 45

Suggestions For New Incentive Schemes 46

Removal of Interest Subsidy 47

Subsidy to Employment 48

Subsidies Related to Capital 48

Tax-exempt Profits and Reserves 49

Reservation of Production 50

Ancillary Products 50

Regional Development Corporation 51

Capital Grant 52

Inducements to Mobility of Crucial Personnel . . 52

Acknowledgement 54

Minute of Dissent—By Dr. Yadava Reddy . . . 56

Observations of the Working Group on Dr. Yadava Reddy's Minute of Dissent 65

सत्यमेव जयते

LIST OF ANNEXURES

I List of Representatives from Financial Corporations and Banking Institutions 69

II Administration of Incentives in Assam—A Case Study . 70

III Existing important Incentive Measures . . . 77

IV Financial Incentives to Industries in Maharashtra—with reference to their impact on employment . . . 94

V Industrial Incentives in Gujarat 106

VI Industrial Incentives in Haryana 152

VII Industrial Incentives in the Punjab 160

VIII Development of Ancillary Industries by the Hindustan Machine Tools Ltd., Bangalore 176

IX Broad Outline of the Powerloom Project . . . 182

X The Role of Regional Development Corporation . . 184

CHAPTER 1

INTRODUCTION

1.1. The Expert Committee on Unemployment set up a Working Group on Financial and Fiscal Measures under its Office Memorandum No. 9/2/71-ECU (TECH)/F&FM dated 22nd September, 1971. "to suggest suitable strategies for employment generation both short-term and long-term including technical, financial and fiscal measures in respect of different sectors of the economy. The Working Group will regard to the subject allocated to it, ascertain facts, locate the main problem areas, examine solution for the problems and suggest such of them as it would commend for the Committee's consideration." The Working Group originally consisted of :—

1. Dr. D. T. Lakdawala, University of Bombay.
2. Shri T. S. Sankaran, Ministry of Labour & Employment, Government of India.
3. Dr. R. M. Honavar, Ministry of Finance, Government of India.
4. Shri J. Banerjee, Ministry of Foreign Trade, Government of India.
5. Dr. Tapas Mazumdar, University of Calcutta.
6. Dr. J. N. Sinha, University of Delhi.
7. Shri G. Ramanujam, Indian National Trade Union Congress.

1.2. Subsequently, however, the following members expressed their inability to continue their membership in the Working Group.

1. Shri J. Banerjee.
2. Dr. Tapas Mazumdar.
3. Dr. J. N. Sinha.
4. Shri G. Ramanujam.
5. Shri Raj Pal.
6. Dr. R. M. Honavar.

1.3. In view of this, a need was felt to add new members to the Working Group. Accordingly, the following members were requested to join the Working Group :—

1. Dr. M. N. Goswami, Ex-Vice-Chancellor, University of Gauhati.
2. Shri D. H. Pai Panandikar, Federation of Indian Chambers of Commerce and Industry.

3. Dr. M. Yadava Reddy, Osmania University.
4. Dr. M. K. Rakshit, University of Calcutta.
5. Dr. P. D. Ojha.
6. Shri Raj Pal, Ministry of Foreign Trade, Government of India (resigned subsequently.).
7. Dr. Y. K. Alagh, Sardar Patel Institute of Economic and Social Research.
8. Dr. G. S. Bhalla, University of Punjab.

1.4. Dr. V. Agnihotri, Director, Expert Committee on Unemployment was appointed as Secretary of the Working Group. The Working Group held meetings in Delhi and Bombay from time to time. In all, the Working Group held twelve meetings.

1.5. In the course of its deliberations the Group found it helpful to elicit views and experience of some of the leading financial corporations, banks and development organisations. In pursuance of these, the Group met their representatives, a list of whom is enclosed (Annexure I). The Working Group derived considerable help from them. We are grateful for their cooperation.

1.6. The existing information regarding the States' incentives is very meagre. It was, therefore, considered necessary to get detailed information on the effects of incentives in a few States. Information was accordingly obtained regarding Gujarat, Maharashtra, Haryana and the Punjab. The Working Group also considered it essential to get some idea of the detailed administration of incentives at least in one backward State. Accordingly, the research staff associated with the Working Group was asked to make a case study of the administration of incentives in Assam. A brief report of this is at Annexure II.

1.7. The Working Group also participated in the Joint I. L. O. Workshop organised by the Expert Committee on Unemployment from 2nd to 7th August, 1972. The subject at the Seminar "Specific Fiscal and Financial Measures for Promoting Employment through Industrialisation" gave an opportunity to the Group to get a better grasp of the complex issues connected with the problem of employment generation.

1.8. The Working Group would like to express its thanks to Sarvashri Jyotirmoy Bosu, M. P., Dr. Gautam Mathur and Anandam, M. P., and members of the Committee on Unemployment for having evinced keen interest in the deliberations of the Working Group. Their participation in a few of our meetings was of value to the Group. The Group also had the benefit of guidance from Shri B. Bhagawati, Chairman of the Committee who specially addressed the members of the

Working Group at one of its meetings held at Bombay on 24th May, 1972. The Group would also like to thank Shri N. S. Pandey, Member Secretary of the Committee on Unemployment.

1.9. The Committee received valuable technical assistance from Dr. J. C. Sandesara and Dr. T. S. Papola. We wish to place on record our appreciation and thanks for their cooperation. Dr. Pravin G. Pathak, Junior Economist, Sardar Patel Institute of Economic and Social Research, Ahmedabad and Mr. Deepak Khurana and Mr. Y. P. Garg, Research Assistants, University of Punjab helped in preparation of the working of States' incentives. Our thanks are due to them. The Working Group also wishes to place on record its gratitude to the Industries Department of Maharashtra, particularly to Shri Bhave and his Private Secretary, Miss U. B. Bhavsar. Shri Bhave's practical experience of the functioning of industries in Maharashtra was of considerable assistance to the Group. But for the active and willing cooperation and assistance of Miss Bhavsar, the Group would not have been able to arrange frequent meetings at Bombay.

सत्यमेव जयते

CHAPTER 2

STRATEGY FOR AN EMPLOYMENT POLICY

2.1. Technical measures and fiscal and financial incentives imply a deliberate attempt at channelising investment and other types of economic effort into directions which meet certain desired objectives of socio-economic policy. The design of such measures has to be related to the objectives that an economy sets for itself. More concretely this involves an attempt at an understanding of existing economic processes, the setting up of specific objectives of economic policy and the delineation of paths along which the economy may move smoothly towards its chosen goals. The choice of such paths is the core of economic planning and an operational "strategy of planning" would essentially consist of a set of policies derived from an inter-connected view of a development process. Technical, fiscal and financial measures would be a part, perhaps an important one, of the set of policies thus derived. The objectives of Indian planning have broadly been stated as follows :—

1. Rapid economic development ;
2. Self-reliance ;
3. Expansion of employment opportunities ; and
4. Removal of inequality in income and wealth.

सत्यमेव जयते

Our task is to suggest measures for the maximisation of employment opportunities within this framework. We begin this chapter with a discussion of the nature and structure of unemployment of labour in the Indian economy. The operational strategies of planning adopted for the Indian economy are then critically reviewed so as to arrange in a systematic framework, a policy of employment generation in the context of other planning objectives. Finally the outlines of such a policy are also indicated.

Structure of Employment and Unemployment

2.2. We begin with an analysis of the Census data on occupational distribution of working population. The 1971 Census of India Provisional Results (1% sample) are reproduced in Table 2.1. It may be noted that this definition is different from the one given in the earlier Census

TABLE 2.1

Distribution of Working Population : Occupation, Sex and Rural and Urban

(In millions)

Occupation	Rural			Urban			All-India		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1	2	3	4	5	6	7	8	9	10
1. Cultivators	67·68 (56·50)	9·03 (32·57)	76·71 (52·00)	1·52 (5·33)	0·14 (4·28)	1·66 (5·22)	69·20 (46·65)	9·17 (29·57)	78·37 (43·70)
2. Agricultural Labourers . .	30·30 (25·29)	15·12 (54·57)	45·42 (30·79)	1·36 (4·75)	0·56 (17·18)	1·92 (6·03)	31·66 (21·34)	15·68 (50·61)	47·34 (26·40)
3. Livestock, Forestry & Allied Activities.	2·97 (2·48)	0·70 (2·51)	3·67 (2·48)	0·50 (1·75)	0·07 (2·19)	0·57 (1·79)	3·47 (2·34)	0·77 (2·47)	4·24 (2·36)
4. Mining & Quarrying . .	0·47 (0·39)	0·08 (0·30)	0·55 (0·37)	0·27 (0·96)	0·03 (1·00)	0·30 (0·96)	0·74 (0·50)	0·11 (0·38)	0·85 (0·48)
5. Manufacturing, Processing & Repairs.	6·65 (5·55)	1·43 (5·17)	8·08 (5·47)	8·08 (28·32)	0·76 (23·12)	8·84 (27·78)	14·73 (9·93)	2·19 (7·07)	16·92 (9·43)
(a) Household Industry .	3·50 (2·92)	0·98 (3·53)	4·48 (3·03)	1·27 (4·45)	0·34 (10·39)	1·61 (5·06)	4·77 (3·21)	1·32 (4·26)	6·09 (3·39)
(b) Other than Household Industry.	3·15 (2·63)	0·45 (1·64)	3·60 (2·44)	6·81 (23·87)	0·42 (12·73)	7·23 (22·72)	9·96 (6.72)	0·87 (2·81)	10·83 (6·04)

1	2	3	4	5	6	7	8	9	10
6. Construction	1·00	0·10	1·10	0·98	0·09	1·07	1·98	0·19	2·17
	(0·84)	(0·36)	(0·75)	(3·43)	(2·65)	(3·35)	(1·34)	(0·60)	(1·21)
7. Trade and Commerce . .	3·38	0·27	3·65	6·14	0·27	6·41	9·52	0·54	10·06
	(2·82)	(0·98)	(2·47)	(21·51)	(8·21)	(20·14)	(6·42)	(1·75)	(5·61)
8. Transport, Storage, etc. . .	1·14	0·02	1·16	2·79	0·07	2·86	3·93	0·09	4·02
	(0·96)	(0·09)	(0·79)	(9·78)	(2·09)	(8·99)	(2·65)	(0·30)	(2·25)
9. Other Services . . .	6·21	0·96	7·17	6·90	1·29	8·19	13·11	2·25	15·36
	(5·18)	(3·45)	(4·86)	(24·17)	(39·27)	(25·73)	(8·84)	(7·25)	(8·56)
Total Working Population .	119·79	27·71	147·50	28·55	3·29	31·84	148·34	31·00	179·34
Total Population . . .	223·95	212·94	436·89	58·47	50·13	108·60	282·42	263·07	545·49
Percentage of Workers to Total Population.	53·49	13·01	33·76	48·83	6·55	29·32	52·53	11·78	32·88

Note : Figures in brackets indicate the percentages to the respective working population.

Source : *Provisional Population Totals* (1% *Sample*)—1971 *Census*.

The census data show that agricultural and allied activities absorb 72.5 per cent of the total working population. Next in importance are services and mining and manufacturing which account for 17.6 per cent and 9.9 per cent of the total respectively.

Employment in Organised Sector

2.3. The Census data do not show occupation-wise distribution of workers between organised and unorganised sectors. The Directorate General of Employment and Training through its Employment and Market Information Programme collects information on organised employment in all establishments employing 10 or more workers in both the public (except Defence Ministry and its establishments including armed forces) and the private sectors. As Table 2.2 shows, employment in the entire organised sector of the national economy stood at 14.98 million workers in 1965 and 17.45 million workers in 1971. Data for earlier years are not comparable since they cover establishments employing 25 workers or more. Thus in 1971, the organised sector may be estimated to account for 9.5 per cent of the total workers. The most important fields of organised employment were services and manufacturing. The public sector accounted for more than 3/5ths of the workers in organised employment and was predominant in construction, electricity, gas, water, etc., transport and communications and services. Employment data for the unregistered factory and unorganized trade and services sectors are not very reliable.[1]

TABLE 2.2

Employment in the Organised Sector

(Figures in millions)

Industrial Classification	March 1965		Mach 1971	
	Public Sector	Private Sector	Public Sector	Private Sector
1. Plantations, Forestry . . .	0·21	0·89	0·28	0·80
2. Mining & Quarrying . .	0·16	0·49	0·18	0·40
3. Manufacturing	0·64	3·61	0·80	3·96
4. Construction	0·74	0·19	0·88	0·14
5. Electricity, Gas, Water etc. .	0·29	0·04	0·43	0·05
6. Trade and Commerce . .	0·14	0·22	0·32	0·31
7. Transport and Communications .	2·04	0·11	2·22	0·10
8. Services	4·73	0·48	5·60	1·00
TOTAL .	8·95	6·03	10·71	6·76

---

[1] The Shops and Establishment Act data are the major source.

Source : Directorate General of Employment and Training.

2.4. Detailed employment data are, however, available for the registered factory sector. 2.4 per cent of the total working population in the Indian economy in 1968 was engaged in this sector while the corresponding percentage was 2.0 in 1951.[2] There were, however, significant inter-regional differences in this characteristic. As shown in Table 2.3, in 1968, factory employment ranged from 0.02 per cent of the total population in Jammu and Kashmir to 2.014 per cent in West Bengal. Factory Labourers as a proportion of the total working population ranged from approximately 0.67 per cent in Jammu and Kashmir to 7.1 per cent in West Bengal.[3] West Bengal, Maharashtra, Gujarat, Tamil Nadu, Kerala and the Union Territories were above the national average in this regard, while the rest of the States were below. The relative importance of factory employment in the States in 1968, the annual compound rate of growth of industrial employment between 1956 and 1968 and the absolute increase in the same period, are shown in Table 2.3. The rate of growth in factory employment ranged from 0.41 per cent per annum in Assam to 10.41 per cent in Mysore.

TABLE 2·3

Factory Employment Statistics in the States of India 1956—1968

States	Factory Employment as % of all India Total (1968)	Rate of Growth 1956-1968 compound % per annum	Absolute Increase in 1968 over 1956 (in Lakhs)	Factory Employment Per lakh of population	
				1956	1968
1. Andhra Pradesh	6·0	2·72	0·78	614	683
2. Assam	1·7	0·41	0·04	728	541
3. Bihar	5·4	3·20	0·81	421	472
4. Gujarat	8·6	1·98@	0·59@		1,620
5. Jammu & Kashmir	0·2	N.A.	0·04	147	231
6. Kerala	4·3	1·31	0·39	1,098	1,015
7. Madhya Pradesh	4·7	2·40	0·56	583	582
8. Maharashtra	19·8	2·20@	1·54@		1,983
9. Mysore	5·2	10·41	1·71	354	885
10. Orissa	1·4	10·16	0·44	145	327
11. Punjab & Haryana	3·8	5·90	0·91	555	1,580
12. Rajasthan	1·7	5·02	0·36	254	328
13. Tamil Nadu	8·7	2·40	1·03	978	1,084
14. Uttar Pradesh	8·1	2·84	1·10	318	445
15. West Bengal	17·9	1·88	1·68	2,236	2,014
16. Union Territories	2·5	6·03	0·60	725	1,000
ALL INDIA	100·0	2·78	13·37	862	912

Source : Op. cit., M. V. Raghavachari, Table 3, pp. 997-998.

Note. : @ = Figures of States do not add up to all India total since the base for Gujarat and Maharashtra is different

---

[2] M. V. Raghavachari, Trends in Employment Growth in the Factory Sector in India: 1951-1968, *Reserve Bank of India Bulletin*, July 1971, Table 1, p. 995.

[3] Based on participation rates in different States given in *Census of India* (Provisional Population Totals 1971).

Rural Sector

2.5. The contribution of registered factory employment to the overall employment situation is thus marginal. Expansion of this sector shall be as a part of the long term planning process of the structural transformation of the economy. The important aspect of the discussion of unemployment in India, therefore, has to be in the context of rural unemployment and the migration of rural unemployed into urban towns. There are well recognised conceptual difficulties in measuring rural unemployment in India.[4] Employment data, of a meaningful type, are extremely scarce. The Report of the Committee of Experts on Unemployment Estimates rightly concluded that "the concept of unemployment is not meaningful in the conditions prevailing in India". They have, however, suggested improved concepts of and methods for measuring unemployment. Following their recommendations, the incidence of unemployment was estimated with data of the 25th Round of the NSS, by calculating the unutilised labour time (mandays during which a person did not work and which were spent in search of work and/or during which he was available for work) as a proportion of total number of mandays for which the data from the 25th Round were available. The estimates showed (1) among small farmers, the incidence of unemployment varied from 0.7 per cent in Punjab to 9.5 per cent in Tamil Nadu for males, and from 0.5 in Orissa to 6.8 in Tamil Nadu for females; (2) in the case of male landless labourers, the incidence of unemployment was once again the highest in Tamil Nadu (14.5).[5] Punjab came next with an incidence of unemployment of 13.8 per cent. This estimate appears to be suspect.[6] Orissa reported the lowest incidence (1.1), closely followed by Mysore (1.4). The incidence of unemployment was nil among the female wage-earners of Punjab and Haryana and negligible in Mysore (0.4) and Orissa (0.9). The highest incidence was in Gujarat (8.8) followed by Tamil Nadu (8.3). The relatively advanced States such as Tamil Nadu, Gujarat, Maharashtra and Haryana showed higher incidence of unemployment, while States such as Orissa, Assam and Rajasthan showed lower unemployment incidence. While interpreting these results, it may be noted that the estimates of unemployment are dependent on the assumption of a given state of technology and organization. Low unemployment does not, however, imply the unimportance of the problem of rural poverty. The major economic problem of the weaker sections of the population does not seem to be unemployment *per se,* but low productivity employment. . This in turn may be due to inferior techniques, low level of skills, low capital per worker and low intensity of work.

---

[4] Government of India, *Report of the Committee on Unemployment Estimates* (New Delhi, Planning Commission, 1971).

[5] A preliminary study of NSS 25th round data is contained in M. L. Dantwala, *Approaches to Growth and Employment* Presidential Address to Fourth Gujarat Economic Conference, Rajkot, 1972. The above results are from Prof. Dantwala's study of the 25th round data. Data pertain to 10 States namely Assam, Gujarat, Haryana, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, Tamil Nadu and U.P.

[6] Prof. Dantwala—*Ibid.*

2.6. The results indicated in para. 2.5, apparently contradict the traditional view that there is large-scale overt or "disguised" unemployment in rural India. A recent study is a prototype of such a view. Assuming that the farms with highest amount of work time per cultivator have no surplus labour at all, the study estimates the number of people in other farms who would be released if cultivators there could work for the same amount of time per head as the cultivators in the no surplus farms. The estimates for disguised unemployment as percentage of total agricultural work force show a wide variation in the different States and indicate that an average of 17.1 per cent workers are disguisedly unemployed.[7] The apparent contradiction between the findings of such studies and the N. S. S. estimates, arises because the estimates of the former are based on the assumption of universal adoption of highly improved techniques of production. This view ignores the process and problems of transition from current to a high level technology in agriculture.

Planning Strategy and Practice

2.7. After having briefly examined a few of the important structural characteristics of the employment situation in India as revealed by the available data, we may review the employment aspects of the operational planning models applied in the Indian economy and also a particular model suggested to the Working Group by a member of the Expert Committee on Unemployment.[8]

2.8. The strategy of economic planning in India may be summarized as follows ; due to reasons such as the large size and resource endowments of the national economy and inelasticity of exports, a certain proportion (determined on *a priori* grounds) of available investible resources shall be allotted for the purpose of building up a capital intensive self-sufficient machiney sector based on modern technology.

---

[7] S. Mehra, Surplus Labour in Indian Agriculture, *Indian Economic Review*, New Series, Vol. I, No. I, October, 1966.

[8] The latter model has been prepared by Prof. Gautam Mathur, Member, Expert Committee on Unemployment. Literature on the model was presented to the Working Group. The Group also had the benefit of personal discussion with Prof. Mathur on the model.

Mahalanobis Model

2.9. The autarchic and *a priori* nature of this method of reasoning is brought out by the following two extracts from the Mahalanobis model :—

> "The proper strategy would be to bring about a rapid development of the industries producing investment goods in the beginning by increasing appreciably the proportion of investment in the basic heavy industries. As the capacity to manufacture both heavy and light machinery and other capital goods increases, the capacity to invest by using home produced capital goods would also increase steadily and India would become more and more independent of the import of foreign machinery and capital goods".[9] "We adopted the value $\lambda K = 1/3$ as we felt it would not be possible to go beyond this value under present conditions".[10]

Mahalanobis's famous λK (fraction of investment allocated to the capital goods sector) was therefore set on *a priori* grounds in relation to the autarchic model of the development process visualised by him. While it was true that his model did not implicitly provide for a balance between incomes generated and consumer goods demands, or for inter-industry balances, the critique[11] that, given all the parameters of the system considered by Mahalanobis, a lower level of aggregate investment would meet the employment and income objectives of the model, was essentially irrelevant, since it did not explicitly consider the autarchic technological self-sufficiency objectives that Mahalanobis had in mind.

Fourth Plan

2.10. Models for the Fourth Plan extended this frame of reasoning in an empirical direction. Inter-industry relation studies were used to show that structurally the national economy could be decomposed into three parts, of which two (MM = Mining, Metals and Machinery and FF = Food and Fibres) were independent of each other, while the third (UI = Universal Intermediaries) showed inter-dependence with the other two.[12] The implication was, therefore, derived that the core investment and import substitution programme (depending on the rate of growth of the MM sector) was independent of the household consumption or wage goods expansion programme (depending on the rate of growth of the FF sector). The economy, therefore, consisted of two sub-economies which could grow independently of each other.

. P.C. Mahalanobis, *The Approach of Operational Research to Planning in India* (Bomday, Asia Publishing House, 1963) p. 26.

[10], *Ibid.*, pp. 40-41.

[11]. Shigeto Tsuru, "The Applicability and Limitations of Economic Development Theory", *Indian Economic Journal*, April, 1962.

[12] A Manne and A. Rudra—"A Consistency Model of India's Fourth Plan" *Sankya*, Series B, September, 1965, pp. 63-65.

2.11. The above description, taken as a realistic sketch of the operational aspects of Indian plans during the last two decades, is obviously overdrawn, although it does convey an important aspect of the formal reasoning behind the plans. Due to a variety of reasons, there was to some extent in the models themselves and far more so in actual practice, a considerable emphasis also on agricultural investment, village investment programmes, social services and since the Third Plan on short term palliative employment programmes. The strict economic rationale of such programmes was, however, not always clear and many programmes were a direct response to immediate contingencies. If a search is made for the reasoning behind such programmes, one strand of thinking emerges from the populist Gandhian political heritage of the country. The Mahalanobis plan frame mentions the role of agriculture and small scale and cottage industries in satisfying wage goods demand and generating employment, but a specific "consumer goods demanded out of wage incomes constraint", is not a part of the formal reasoning.[13] A disconcerting aspect of all the formal planning models was that the wage fund was never explicitly introduced as a constraint in the development process.

Neglect of Wage Fund

2.12. The exclusion of the wage fund as a constraint in conventional planning models was surprising, since this was an area in which Indian economists had done sustained work. An earlier scheme of the development process had visualised the consumer goods sectors providing surpluses for growth.[14] At a more formal theoretical level some of the distinguished contributions to the literature on the 'choice of techniques' argued that since wages could not be assumed as perfectly flexible, the wage fund would be an explicit constraint in the resource allocation process and would determine the techniques chosen, if employment was to be maximised in the long run.[15]

---

[13] Shigeto Tsuru after examining the implicit balance in the Mahalanobis Plan frame, between the rate of growth of consumer goods industries in realtion to the demand for wage goods generated out of the employment in investment programmes remarks "Quite generally, Mahalanobis dose not consider exhaustively the relations between demand and supply in his model" (*op cit.*, p. 376).

[14] C. N. Vakil and P. R. Brahmananda, *Planning for and Expanding Economy* (Bombay, Vora, 1956).

[15] See A. K. Sen, *Choice of Techniques* (Oxford, Basil Blackwell, 1960). The Mahalanobis type of model giving priority to the capital goods sector, ignores this constraint. For an explicit comparison of differences of the two models, one in which techniques are chosen subject to a wage fund constraint and the other in which this constraint is absent and priority to heavy industries is on *a priory* grounds, see M. Dobb, *An Essay on Economic Growth and Planning* (London, Routledge and Kegan Paul, 1960), and by the same author *Papers on Capitalism, Development and Planning* (London, Routledge and Kegan Paul, 1967) pp. 107-123. Dobb points out that G.A. Feldman "really formalised the notion that investment priority for the capital goods sector was a precondition for attaining a high rate of growth (*Ibid.*, p. 109). As to its origin, Dobb emphasies that "this is a peculiarly Marxian notion at least in the sense of something that comes naturally to mind to one using Marxian categories of thought". *Ibid.*, p. 108.

2.13. The earlier plans had a core technological sector for which a certain amount of formal economic and statistical reasoning was followed and agricultural, cottage and small scale industries and social service programmes for which specific schemes were prepared, by and large, through the efforts of the bureaucracy.

Implementation

2.14. The autarchic self-sufficiency technological development objective of the national economy was in fact not achieved in the manner in which it was planned. Various studies have shown that in terms of sustained growth in self-generating inter-related sectors of industries, the performance of the industrial sector of the Indian economy has been poor, both in relationship to the objectives of the plans, as well as in relation to achievements of other planned economies.[16] The reasons of this failure are perhaps many, and need a detailed study. Some pointers may be in the following direction. Whatever may have been the intentions of the Plan model builders, at the level at which specific investment decisions were taken either *ad hocry*, or "market' forces, rather than the technological imperatives of the plan objectives, weighed with the decision making machinery. In actual practice such decisions were made either through the industrial licensing system or in the setting up and running of public sector projects. Thus although we had a fast expansion in industrial production, the rate of growth in machinery and metal product industries was not evidence of technological self-sufficiency. For one thing, items such as refrigerators, air-conditioners and sewing machines got incorporated in this rate of growth and for another, even within the machinery sector, the development was much faster in relatively simple low priced machines some of which are being exported now, rather than in those sectors which had been the 'leading' sectors of the model maker in terms of 'autarchic' technological self-sufficiency. Decisions with respect to foreign collaboration were also taken in a naive manner in the early years of planning and were not closely synchronized with the objectives of the Plan.[17]

2.15. It is not being stated that the industrialization plans of the last two decades had no impact at all on the economy. The rate of growth in aggregate industrial output has been impressive. There is evidence to suggest that the direct and indirect employment of persons with modern skills, such as engineers, technicians and scientists, is much larger in "import substituting" industries than in the traditional export industries.[18] Learning processes in terms of using modern technological methods have, therefore, been initiated in the economy and these provide a potential for the future. It is only being emphasised that purely in terms of the creation of a core inter-related industries with a high rate of surplus generated and ploughed back within the sector itself, the objectives of the planners during the last two decades have not been achieved.

---

[16] See (i) K. N. Raj, "Role of the Machine Tool Sector in Economic Growth" in C. H. Feinstein (Ed). *Socialism, Capitalism and Economic Growth: Essays Presented to M. Dobb* (Cambridge, University Press, 1967), pp. 217-226 and *India,Pakistan and China : Economic Growth and Outlook* (Bombay *Allied* 1965), pp. 26-31. (2) Yoginder K. Alagh, "Machine Tool Models of Growth : A Study of Relevance to India", in Indian Institute of Advanced Study, *New Approaches in the Social Sciences and Humanities*, (Forthcoming) and Fact and Fiction of Indian Industrialisation, *Economic and Political Weekly*, Special Number, July, 1971 and (3) M.N. Dastur, Utilization of Heavy Engineering Capacity, *Economic and Political Weekly*, Annual Number, January 1969, pp. 87-90.

[17] K. K. Subrahmanian, *Import of Capital and Technology* Peoples Publishing House, Delhi, 1972.

2.16. As far as the social services and need-based programmes were concerned, from the planning viewpoint, the situation was far more confused. Planning for such programmes was essentially done by the concerned Departments and Ministries, at the State and Union Government level. There was also a certain amount of administrative coordination between different levels of planning. From a planning viewpoint, however, the difficulty lay in the fact that such programmes were not coordinated in details either with local need or with local development potential. To begin with, there was hardly any rationale with respect to the absolute level of investment in such programmes as compared to investments in industry and economic infrastructure. Secondly, the spatial perspective was entirely missing. No serious attempt was made to reduce the levels of disparities between different parts of the country. The plan formulation and plan administration structure at the State and sub-regional level remained very weak and as planning documents the State plans were extremely inadequate. Given the lack of the spatial perspective of the planning effort in the country, the talk of balanced regional development remained a pious hope. In the absence of a well-defined rationale for such investments and the fact that they were not integrated into defined programmes of regional development, such investments were not made according to rational economic or social criteria. Each area wanted more of the Centrally sponsored or State plan schemes, as these were tangible benefits for the constituents. In such a situation local political pressures could also play an overriding role in the allocation of resources for these programmes.

2.17. As far as employment policy was concerned, there was a dual focus. The autarchic self-sufficiency objectives of planning, essentially implied subsidization of capital in the core technological sector. Since in terms of allocation decisions, the resources were not pumped only into this 'core' sector, the subsidies became capital subsidies to the process of capital intensive industrialization in general. On the other hand, employment intensive programmes were also encouraged through subsidies and protection to labour intensive activities as also through direct investment in employment generating palliative measures. It is difficult to evaluate, on balance, the total impact of government policy on the relative demand for labour.

---

[18] This has been demonstrated empirically by adding on disaggregated labour imput coefficients to and inter-industry matrix and working out direct and indirect demands of different types of laobur in import-substituting and traditional export industries. See R. G. Nambiar, "Factor Structure of India's Foreign Trade", *Anvesak*, June 1972, pp. 82-89.

Heavy Investment Strategy

2.18. An alternative strategy has been commended to the Working Group with the nomenclature of a "Heavy Investment Strategy".[19] The salient features of this strategy are as follows:—

(a) A long term terminal objective is specified in terms of achieving full employment with the most advanced techniques available in the world. The time borizon indicated for achieving the terminal objective is fifty to sixty years;

(b) A triangularised casual chain technology structure is assumed for a two sector economy. Capital goods can be used for the production of both capital goods (H sector) and consumer goods (C sector) but consumer goods are not thus reversible. Since this criterion is the basis of sectorisation, apart from machinery items, cement, steel, electricity and possibly commodities such as glass and paper products would be classified in the H sector. The "reverse" casual inter-connection of the C sector with the H sector is only permitted indirectly through demand for wage goods created by employment in H sector activity for wage goods supplied by C sector.

(c) A single uniform subsistence wage level is assumed for the entire economy;

(d) Maximization of the rate of growth of the H sector is regarded as the prime strategy to achieve the terminal objectives as quickly as possible. Given a closed economy and specified technologies, this rate depends on the plough-back of H sector output, into itself. In an idealised version this ratio is assumed as 100 per cent. (Heavy), as a concession to reality some leakages are permitted to the C sector for India approximately 25 per cent. (call this the Heaviesque version of the model). However, the criterion for selection of techniques in the C sector is given as maximisation of surplus per unit of H sector output;

(e) The C sector is to expand with H conserving techniques and to absorb the reserve labour force during the planning horizon;

(f) Controllable fiscal policy (disparity taxation) and the alternative of a uniform minimum subsistence wage are provided, for macro-economic balancing of supply of C sector goods with demand for them.

---

[19] This strategy has been suggested by Prof. Gautam Mathur, Member, Expert Committee on Unemployment. Gautam Mathur—*Planning for Steady Growth*, Basil Blackwell, Oxford, 1965; Investment Criteria in a Platinum Age, *Oxford Economic Papers*, Vol. 19, No. 2 (July 1967) pp. 199-214, Framework of Planning for Economic Growth and Social Justice, Interdiscipline Vol. 7, No. 2 (Spring 1970) pp. 130-166 and Long-Term Develoment Police *Indian Journal of Social Sciences*, Vol. 1, No. 1 (1971). Yadava Reddy—*Monytary and Fiscal Policy in a Development-Oriented Economy.*

2.19. Similarity, with the Mahalanobis model may be noted. In both the models the (asymptotic) growth rate of the economy depends on the proportion of capital goods allocated to the further production of capital goods. The crucial allocation ratio is, therefore, K in Mahalanobis[20] and the plough-back rate of H sector output into the sector itself in the model under consideration. In the 'Heaviesque' version of the present model the correspondence is clearer. Mahalanobis's λ K was determined on a priori grounds. However, implicitly a premium was given to H conserving techniques, since in the four sector model there was a specific employment and income objective and the output-capital and labour-output ratios were higher in the household production of consumer goods sector. In fact, therefore, in the numerical version of the Mahalanobis model, only 17 per cent. of the total investment was allocated to factory production of consumer goods.[21] Since in the context of the present model, the remaining two sectors of the Mahalanobis plan frame (household production of consumer goods including agriculture and services) would be mainly H conserving,[22] the investment going into the factory consumer goods sector as a proportion of total investment allocated to capital goods may be called the leakage in the framework of the present model.[23] Although the present model enjoins upon the C sector to provide wage goods to workers in H Sector, it does not definitionally permit the C sector to produce intermediate inputs for the H sector. Empirically, however, if the technology matrix is not decompossable, such inputs shall be necessary.

2.20. It may be noted that in view of the argument in para. 2.19, the earlier discussion of the Mahalanobis model applies *ipso facto* to the model under consideration (see Paras 2.14—2.17). In the extreme version of the model (100 per cent. plough-back) however, the "controllable fiscal policy" assumptions are far more severe. In theory the model provides for H-conserving C sector. In fact the empirical viability of the adequate surplus generating capacity of the H-conserving C sector is not established. The model assumes away the wage fund constraint to the heavy industrialisation investment package.

2.21. The model under consideration would raise, if strictly followed, another host of problems. The model postulates the extremely impractical assumption of no differential incentives to labourers engaged in the H sector compared with the C sector. Labour allocation is, therefore, by fiat. On the other hand the introduction of such wage differential would reduce the rate of surplus in the model. The composition of output within the H sector for the planning horizon, of 50 to 60 years, is also only on ground of technological intersectoral consistency. Taken literally, the model would lead to other difficult problems. The terminal conditions, set as full employment with the highest technical levels after 50 or 60 years, would lead to the practical difficulty of the specification of such conditions in an *ex ante* planning horizon. In the model, this specification solves the problem of closing it with regard to objectives. In practice, due to uncertainties with regard to technological changes one is not quite sure of the operational meaning of the most technologically advanced machine tool per labourer, sixty years from now, being anticipated today.

---

[20] For a formal proof of this proposition in terms of the reduced form difference equation solution of the Mahalanobis 2 sector model see J. Bhagawati and S. Chakravarthy, *Contribution to Indian Economic Analysis* : A *Survey* Bombay, Lalvani, 1971) pp. 8-9. Also see Mahalanobis, *op. cit.*, p. 36.

[21] ***Ibid*,** Mahalanobis, p. 47

[22] This is also evident from the high output-capital and labour-output ratio. Further the Mahalanobis output-capital ratio would include investment "goods" supplied within the household sector. For the relative importance of the latter see V. V. Bhatt, Estimate of Savings and Investment in the Indian Economy, *Reserve Bank of India Bulletin*, August, 1961.

[23] From the type of data base from which Mahalanobis in fact estimated the output-capital ratio for the agricultural and household sector, it is evident that the proportion of household investment from within the sector was indeed very high, see Mahalanobis *Op. cit.*, p. 44 (for discussion of data) and V. V. Bhatt, *op. cit.*

2.22. Further, it may be neither necessary, nor desirable to perpetuate the technological dualistic nature of the economy into a fairly long term horizon. This Working Group, on the other hand, has, as will be seen later, emphasised a more integrated approach to the development process.

2.23. Another aspect of the model under consideration (as also of the Mahalanobis model) is that it is a closed economy model. As such transformation possibilities on account of international trade are ignored or only marginally considered.[24] They need to be given an emphasis in our planning decisions. Comparative advantages as reflected by current international prices cannot for various obvious reasons be accepted as guidelines for domestic investment decisions. Further partial industry-wise analysis of relative advantages is subject to well known difficulties. An alternative approach needing consideration may be the ranking of packages (or complexes) of inter-related industrial investments, which the national economy may consider as possibilities in a finite time horizon from the viewpoint of import substitution and export promotion. In other words, given the resource endowments of the national economy and the industrial and skill base, the relative social profitability of sets of interrelated industries, viewed as alternative investment packages may have to be evaluated. The answers to the extent possible may be sought in quantitative terms, although in the absence of this, qualitative discussion may also be helpful.[25]

Op. cit. Bhagawati and Chakaravarthy, pp. 11-12. In one version of the model under discussion, the existing capacity of "luxury goods consumption" is only permitted for exports.

[25] In operational terms this procedure boils down to a choice of leading sectors or sub-economies. For numerical estimates of such a procedure see H.B. Chenery, the Interdependence of Investment Decisions in M. Abramovitz, et. al. *The Allocation of Economic Resources* (Stanford, Stanford University Press,1959),pp. 82-120 D.T. Lakdawala,Y. K. Alagh and A. Sarma. *Regional variations in Industrial Development* (Cyclostyled RPC Report, 1972) pp. 301-316 have decomposed the Indian technological inter-industrial relationships, to facilitate such calculations.

Alternative Approaches to strategy of planning and their evaluation

2.24. Wage Productivity Hypothesis: The earlier planning models and critical review of the experience following from them led to considerable work on fresh approaches to strategies of planning for growth and fuller employment by Indian economists. At the somewhat abstract level of the debate, it was argued that the possibility existed that in a poor economy a rise in real wage levels would, up to a point, raise labour productivity. Postulating such a relationship, the traditional view that there was a trade-off between investment in wage goods and in capital goods, was shown to be exaggerated. On the contrary it was shown that investment in wage goods industries upto a minimum critical point, would be the only method for raising labour productivity explicitly and implicitly, for raising surpluses for accumulation[26]. Secondly, since resources are scarce, to increase growth in the economy and particularly in the wage goods sector, the only choice to the planner was to cut down investment in the luxury consumption sector. It may be noted in this connection that in such a wage productivity hypothesis, the extent to which wage goods are important as wage capital, can be reduced to an empirical proposition, depending on the determination of the "minimum cost per work unit" and the postulated wage productivity hypothesis from which it is derived. In actual fact the scope for raising labour productivity through rise in wages in the organised sector may be limited. In the unorganised sector, on the other hand, the solution lies mainly in raising productivity through the adoption of better techniques in order to raise wages. This will call for a balanced expansion of the H sector in order to provide necessary inputs to the consumption goods sector.

सत्यमेव जयते

Poverty Eradication

2.25. A related approach, which provided the sustained thinking on the part of economists in this country was work done on the measurement of the absolute level of poverty in India.[27] The objective of the studies was to estimate the proportion of the population below a "poverty line", defined in terms of minimum levels, either in per capita expenditure or cereal and/or food equivalents of calorie intake. The estimates of the rural population below the "poverty line", for 1960-61 ranged from 38 per cent to 59 per cent.[28] Thus it may be deduced that between two-fifths to three-fifths of the rural population of India lived below the poverty line. These studies also found large-scale regional variations in the percentage of population falling below the poverty line. The estimates for the proportion of urban population living below the poverty line vary from 8 per cent. to 50 per cent.[29] According to one view the urban poor are to a large extent an overflow of the rural poor. The major emphasis should, therefore, be on measures that aim at eradicating rural poverty. Again, while the rate of change in the proportion of the population below the poverty line through time, is a subject matter of debate, the fact that a large proportion of the population does not get minimum subsistence, has been established. From an operational planning viewpoint, however, the availability of information is very inadequate. Firstly, no attempts have been made to identify the poor at the local level. Secondly, the diverse factors responsible for poverty at that level are not fully known. It is obvious that effective anti-poverty programmes of a developmental variety using rural poor for creation of productive assets, would hinge on information for local areas.

---

[26] P. H. Prasad, *Growth with Full Employment* (Bombay Allied, 1970) Ch. 5-7.

[27] P. D. Ojha, A Configuration of Indian Poverty; Inequality and Levels of Living, *Reserve Bank of India Bulletin*, January, 1970, pp. 16-27 V. M. Dandekar and N. Rath, *Poverty in India* (Bombay, Economic and Political Weekly, 1971). B. S. Minhas, Rural Poverty, Land Distribution and Development Strategy : Facts and Policy, *Indian Economic Review*, April, 1970, pp. 97-128; P. K. Bardhan, on the Minimum Level of Living and Rural Poor, *Indian Economic Review*, April, 1970, pp. 129-145.

Multi-level Planning

2.26. Another strain of reasoning implicit in the new approach to planning is the concept of regional and multilevel planning. The first part of the problem involves the introduction of 'space' as an explicit part of planning models, either of the consistency or of the optimisation variety. In other words the models have to be interregional and intersectoral. The second part of the problem consists of area planning proper. In the first type of problem, the base exists in terms of recent research effort for the construction of multilevel planning models. The problems of multilevel or inter-regional planning arise essentially because a region of a national economy is an open economy and sorting out of technological and spatial inter-linkages, becomes the crux of the problem. Recent research effort has attempted such a sorting of the available technological and spatial information, so that at least for different States of the national economy the relevant technological and economic possibilities can be arranged in a manner useful for planning purposes[30] and the operational use of such models has also been demonstrated.[31] However, for area development plans (say district or block level plans) even the conceptual issues are still open. Further-more, the area plans would have to be integrated with anti-poverty programmes. As noted earlier, the data base for these programmes to be effective is very weak.

---

[28] *Ibid.*, Minhas's estimate was 59%, Ojha's estimate was 52%, Dandekar and Rath's estimate was 40% and Bardhan's estimate was 38%. Differences arose due to difference in minima specified by each author for defining the "poverty line", differences in Calorific equivalents assigned to diet baskets and differences in statistical source material used (particularly the combination of NSS expenditure data with national income data). For recent work which has questioned the earlier estimates. See P.G.K. Panikar, Economics of Nutrition, *Economic and Political Weekly*, Annual Number, February, 1972, pp. 413-430 and K. N. Raj, Extent of Undernurishment in Kerala, *Yojana*, Ocober, 15, 1972, pp. 785-786.

P. D. Ojha, *Ibid.*, Table 2, p. 22 and V. M. Dandekar and N. Rath, p. 8.

2.27. Many of the strands of the above thinking have influenced the approach to the Fifth Five Year Plan. The main emphasis is on achieving the twin objectives of growth and eradication of poverty. There are two premises on which the operational strategy of the new approach to planning is based. The first is the premise that the economy has enough resources and organisational ability to implement a programme with a redistributional objective of improving the "quality of life" for the poor of the land through increased provision of the items of social consumption. The second premise, again, is that the economy is prepared to implement large scale employment creation programmes, which shall be related with area development efforts.

Implementation Problems

2.28. It has been shown in para 2.26 that information on the structure of poverty, of a type necessary for implementing such a programme, is not available. We also do not have for different local areas (say Districts) estimates of the existing per capita facilities available to the population, in terms of the "minimum needs" programmes, or of their expected levels by the end of the Fourth Plan. The essential information ingredients of the "minimum needs" programme, therefore, seem to be missing. Assuming that even this lack of information is not a bottleneck, there are other difficulties, which need to be given serious thought. The optimum use of facility presumes certain favourable conditions. An example may help in clarifying these difficulties. Take the programme of rural water supply. It is well known that the cost of such programmes, differs significantly, depending on whether "private wells" are included or excluded from "no source" villages. Such instances can be multiplied. Therefore, private ownership rights in certain essential resources will obstruct the implementation and magnify the cost of anti-poverty programmes. The basic question that arises is that given the existing socio economic power structure, can available resources be used effectively for community or social purposes. Further, past experience suggests that many of the social consumption facilities are mostly availed of by the relatively well-to-do sections of the society.[32] Existing hospital beds, primary education facilities, rural electrification and rural roads, have in the past not necessarily been fully used by the poor, either for their economic betterment, or for a qualitative improvement of their life and the reasons for this are the existing distribution of economic and political power, rather than just the lack of the availability of such services. So, while drawing up and implementing anti-poverty programmes, care has to be taken to ensure that these facilities are availed of by the poor.

---

[30] Y. K. Alagh, K. K. Subrahmanian and S. P. Kashyap, Interregional Industrial Structure in a Developing Economy : A Conceptual Frame with a case Study, *Journal of Regional Science*, December, 1971, pp. 301-316; also, Op. cit, Lakdawala, Alagh and Sarma.

[31] S.P. Kashyaap, and Y. K. Alagh, A Consistency Framework for Gujarat's Perspective Plan, in Government of Gujarat, *Perspective Plan of Gujarat* (Gandhinagar Govt. Press, 1971) Vol. I., pp. 365-380.

[32] See Samuel Paul—Housing Policy. A Case of Subsidising the Rich, *Economic and Political Weekly*, September 23, 1973, pp. 1985-1990.

2.29. Operational arguments are again important for evaluating the employment generating programmes related with development efforts. From any count, the existing information on the development potential of different areal units, is unsatisfactory. It will be shown below that such information is a precondition to the use of labour intensive methods for creating productive infrastructure for area development planning. As argued in Para 2.26, it is only on the basis of such information, that action can be taken on operational area development possibilities and area plans. Leaving aside planning considerations, the implementational viability of such programme, on a very large scale, also needs to be considered very seriously. This aspect is again considered below.

2.30. Three further aspects of such programmes have to be kept in view. First, these programmes, unless specifically designed to provide gainful employment, tend to degenerate into public assistance programmes. Secondly, the full employment potential of the public works programmes cannot be realised, unless they are carefully phased on the basis of a detailed study of sectoral and local employment pattern in the country-side. Finally, public works programmes, if executed through contractors, will have undesirable income distribution consequences. Assuming a 16 per cent rate of return to construction contractors on the value of contracts the income distribution consequences of a public works programme to the tune of Rs. 10,500 crores to Rs. 11,500 crores are staggering. Hence the necessity to evolve suitable organisations, such as co-operatives, to implement these programmes.

Recommendations on Strategy of Planning for Employment

2.31. Given the level of underdevelopment of the economy, the important questions, asked by the conventional models of planning, e.g., the proportion of the available resources allocated to the long term modernization of the economy, still remain a basic question that needs an answer. The answer to these questions depends on choice among alternative growth paths feasible under given technological and resource constraints. The choice to be made by the planners essentially involves social preference between current and future consumption. The explicit or implicit introduction of such preferences would bring to focus a number of planning problems. The answer to this question, to the exetent it involves the determination of social preference for current against future consumption, again involves political judgements. This Working Group, however, is in agreement with the broad strategy of industrialisation with its relative emphasis on heavy and basic industries pursued so far. However, once such a judgement is made, a number of important planning problems remain which can have significant effects on employment generation.

2.32. The importance of the wage-fund constraint, both in terms of the feasibility of the growth path and in terms of implications of the anti-poverty programme on income distribution needs to be recognised. Further it has been shown that the final bill of consumer goods demanded as a part of an income growth policy is sensitive to income distribution charges.[33] The employment implications of income distribution changes need to be incorporated into planning models. To the extent that investment in wage goods industries is specifically related with overall investment programmes, the scope of ad hoc investment decisions in this regard, is minimised. This shall be particularly true in the case of inessential consumption, allocation of resources for which shall become far more difficult to justify. Second, the high rate of growth of luxury goods consumption/production in recent years shows that fiscal measures alone cannot be relied upon to achieve the desired allocation of resources. The recognition of the wage constraint will force the planners to specify the internal balances of the investment process (both productive investment as also social consumption) in terms of its income generation and essential consumer goods demands.

2.33. Generally agro-based consumer industries have direct and indirect employment potential, through employment generation possibilities via agricultural input purchases.[34] It is obvious that direct and indirect employment generation effects cannot be the only objective of the choice of sectoral investment programmes. Direct and indirect capital requirements and direct and indirect surplus per unit of capital employed may be listed as other criteria. In Chapter 3, attempts are made to list policy measures, which may have an impact in terms of introduction of capital saving, labour using techniques, in a manner such that overall planning objectives are not vitiated.

2.34. As regards rural employment possibilities, evidence has been collected on the income and employment generating effects of the Green Revolution. All evidence suggests that green revolution has succeeded in bringing prosperity to the countryside and has improved the economic condition of all the cultivators who have adopted the new technology. Furthermore at the current stage of technology it has helped the landless labour to improve their economic condition by giving them more employment. More employment is generated through increased intensity of cultivation due to irrigation, seed bed preparation, harvesting, threshing and indirect effect in terms of the agricultural sector's interrelations with other sectors of the economy.[35] However, introduction of highly mechanised techniques like harvester combines, and big tracters would have deleterious effect on employment potential of green revolution. In this and other sectors such type of mechanisation needs to be discouraged.

---

[33] N. S. Iyenger and L. R. Jain, Projections of Consumption Rural/Urban India 1970-71 and 75-76, *Economic and Political Weekly*, Review of Management, Nov. 20, 1969.

[34] See B. R. Hazari and J. Krishnamurthy, Employment Implications of India's Industrialization, *Review of Economics and Statistics* May, 1970, pp. 185-186, point this out. Their estimates are based on technological coefficients for Indian economy. However, the employment and wage data base they use for agricultural sectors is not given and is probably questionable. Further exports and imports are ignored. Regional level estimates corraborating high total employment effects of agro-based industries, are available in S.P. Kashyap and Y. K. Alagh, *Structure of Gujarat Economy : Inter-industry Flows* for 1964-65 (Cyclostyled, Sardar Patel Institute of Eco. & Social Research, 1971). This study includes treatment of export multipliers and import leakages.

2.35. A lesson that may be drawn from our existing planning system is that the planning of agricultural and related sectors and economic and social services has to be integrated with area development potential and area planning schemes. Such a view, carried to a logical conclusion, would emphasise the identification of area development potential, bottlenecks to its realization and programmes designated to remove such bottlenecks. Given the existing administrative and resource bottlenecks, the approach will have to be, of necessity, selective. Adequate care shall have to be taken, that the important relevant economic links of an area with the rest of the economy, are taken care of, in the design of such programmes. The approach shall have to be an area/activity type. In the selected areas, integrative type of employment activities may be promoted. The activities should be chosen such that they may be economically viable in as short a period as possible, since such activities shall have to compete with similar activities in other areas. A preliminary illustrative list of such integrative type of employment generation activities includes agro-based industries such as dairy, fruit and vegetable processing, other agro-based industries based on commercial crops, forest and marine based industries and mineral based industries. Large 'core' sector projects should be located on economic grounds, specifically introducing space as an explicit criterion in project selection. In case such projects are located in backward areas, the scope for ancillaries based on linkage potentialities could provide another activity for promotion.

2.36. Another reason for selectivity of areas for the promotion of such integrative type of employment opportunity is that resources are scarce and that thinly distributed investment effort may not lead to self-generation effects within the area. Past experience has been that a minimum threshold of economic activity levels has to be crossed before such activities become self-supporting and also the growth process gathers momentum.

---

[35] For a measurement of direct effects see G.S. Bhalla, *et. al*; *Changing Structure of Agriculture in Haryana: A study of the Impact of the Green Revalution* (Chandigarh, Haryana Government, 1972). For decomposition of direct employment effects and estimte of direct and indirect effects see Raj Krishna, *Measurement of the Direct and Indirect Employment Effects of Agricultural Growth ithTechniclChange* (*Cyclostyled*, 1972).

Conclusions and Recommendations

2.37. The main conclusions of this Chapter, therefore, are:

1. The unemployment problem in India cannot be separated from the problem of large scale poverty. The solution to both the problems lies in the provision of gainful employment and raising the productivity of the labour force through appropriate planning policies (the incidence of large scale unemployment, both overt and disguised, at existing levels of techniques, being found low);

2. the problem of raising productivity levels is essentially a problem of economic planning which includes the expansion of the coresector of the economy. Yet employment objective as part of the overall planning objective can be achieved through the adoption of labour intensive techniques in projects that are selected as an integral part of the Plan;

3. the wage fund constraint needs to be more specifically introduced into the planning process and income distribution changes and their effects on employment specifically considered:

4. mechanisation should not generally be allowed unless it leads indirectly to more employment and/or more surplus generation. Specific types of mechanisation in agriculture thwarting the employment generation effects of the new agricultural technology need to be discouraged;

5. an area/activity approach is needed to supplement the core industrialisation programmes in a manner such that integrative type of employment generating activities may be promoted in selected areas.

CHAPTER 3

TECHNICAL, FINANCIAL AND FISCAL MEASURES

3.1. This Working Group has been asked to suggest technical, financial and fiscal measures in respect of different sectors of the economy as an integral part of the suitable strategies for employment generation. The latter have been discussed at some length in Chapter 2. The technical, financial and fiscal measures recommended here are meant to facilitate and aid the adoption of these strategies. Since, however, the strategies cannot take account of all detailed possibilities, measures to deal with such situations will be in order.

Economic Framework

3.2. In the Indian planning policy, the economic framework has been laid down by a number of physical controls and regulations. For example, an industry needing more than a certain amount of investment cannot be started or expanded without an industrial licence in giving such a licence, besides the needs of the country for more production in a certain line, its non-competitiveness with certain small-scale and village industries, the monopoly angle, the foreign capital and collaboration needs, the foreign exchange needs, etc. will be considered. If a new company has to be formed, the Controller of Capital Issues will examine the financial structure of the proposed company and apply his norms before allowing it to put its issues in the market; if an existing company asks for expansion, the same procedure will follow. Very probably, in rasing the necessary finances, the entrepreneur will need the help of financial institutions to raise the money required for putting the project through. These institutions will operate only within detailed guidelines. In addition, there would be varied State and local regulations which have to be complied with. These regulations and controls are, broadly speaking, essential and in the interests of the national economy.

3.3. Though the regulations look restrictive, properly exercised, they also serve as inducements to certain parties or spheres by creating favourable circumstances for their operation. There have, however, been persistent complaints that there have been unnecessary and vexatious delays in decision-making at various levels and that, when finally taken, decisions have been not infrequently haphazard, opportunistic and have not served the broad national purposes consistently. There have been some serious errors of commission and omission; non-priority economic activities have been permitted to come up. Official Committees and non-official experts have substantiated these charges.[1] A reform in the administration of these regulations should have a precedence over rethinking regarding many other matters including fiscal and financial measures. Correct and quick decision-making in this sphere would be more vital, and compared to its consequences on rapid development, the effects of other measures could be secondary. For the purpose of this Repot, we assume that the present framework of these regulations will broadly continue, but these will be operated more quickly, consistently and purposefully.

---

[1] Jagdish Bhagavati and Padma Desai : *India-Planning for Industrialization*, Oxford University Press, London, 1970.

3.4. Detailed controls and regulations being more specific are often more powerful than more general measures in an economy characterised by a great degree of rigidity and immobility. For instance, the reservation of certain items of production for village industry or the small-scale sector and prevention of highly mechanized methods in agriculture may more directly help employment than a programme of assistance and inducements. They, however, sometimes act only negatively by way of restraints and do not make the socially desired activities attractive enough to private enterprise. Fiscal, financial and technical inducements can act as stimulants and reinforcements in general and achieve some ends much better. What is called for is an appropriate combination of controls and other devices.

Fiscal, Financial & Technical Devices

3.5. Fiscal measures are an integral part of the budget. They may mean either a redutcion in the revenues of the Government, or an increase in expenditure. Incentives like tax holiday, development rebate, etc., offered by the Centre, or the sales-tax and other tax concessions to new enterprises offered by the States dilute the tax liability of the enterprises and reduce the revenues of Government. Fiscal measures can also take the form of expenditures on the part of Government to provide finance by way of grants or supply of inputs at concessional prices. The major advantage of tax rebates and concessions is that they do not need additional elaborate administrative apparatus and procedures. They can, however, work only on the taxpayers and within the existing tax system. The Indian tax system has a narrow tax base. Grants can be given to non-tax-payers and new principles can be enunciated for locating them. But an entirely new apparatus has to be built up which may involve some cost.

3.6. In a system in which the bulk of the finances, both short-term as well as long-term, passes through public sector institutions, it is possible for the Government to offer financial or monetary incentives. A major part of the commercial banking and of the development banking in India is in the public sector. Besides, the Government have adequate power to regulate the lending pattern of insurance companies, both life and general, or the borrowing pattern of non-banking companies. This makes it possible for the Government to exercise effective control on the flow of funds and the terms of borrowing and lending. The devices can take the form of a deliberate adjustment in the flow of funds in favour of certain sectors and or concessional terms on which credit is made available. For example, commercial banks have been allocating larger credit to agriculture, small-scale industries, exports, transport operators, retail trade, etc. and have taken measures to improve the accessibility of credit to neglected sectors. Similarly, development banks give loans to enterprises in backward areas at concessional rates of interest and repayable over a longer period of time.

3.7. Technical and promotional devices as distinguished from fiscal and financial ones, are mainly designed to increase productivity. Common production centres and facilities, technical assistance, training, help in procuring raw materials of proper quality and in marketing of products, research and designing aid, organisational facilities, all these may be classified under this head.

3.8. All these devices, fiscal, financial and technical are in the last instance designed to increase profitability through reducing the costs or increasing the prices realized by the producers. Both fiscal and financial measures achieve the end through subsidies in one form or another. Technical devices aim at reducing real costs in the final analysis though they also may have a short-term subsidy aspect.

Sectors of Indian Economy

3.9. We are asked to suggest measures in respect of different spheres of the economy. Agriculture still occupies the most important position in the Indian economy. Mining and manufacturing (including construction) contributes only one-fifth of the gross national domestic product.

TABLE 3·1

Gross Domestic Product at factor cost by Industry of Origin (Percentage Distribution)

सत्यमेव जयते

Industry	1966-67 (provisional)	1967-68	1968-69	1969-70
1	2	3	4	5
1. Agriculture, Forestry & Fishing	48·3	51·3	48·6	48·2
2. Mining, Manufacturing, Construction & Electricity . .	20·8	19·3	20·2	20·9
Of which :				
Manufacturing registered sector	9·2	8·0	8·5	8·9
Manufacturing unregistered sector	5·3	5·0	5·2	5·2
Construction	4·4	4·4	4·4	4·7
3. Transport & Communications, and Trade	15·5	14·9	15·6	15·4
4. Banking, Insurance and other services	15·4	14·5	15·6	15·5

Source : Estimates of National Product—1960-61—1969-70, May 1971, Central Statistical Organisation, Government of India.

3.10. The public sector is expected to occupy commanding heights in the Indian economy. On it falls the main responsibility of making the mixed Indian economy grow rapidly along the planned path without great concentration of economic power or accentuation of economic inequalities. Out of the estimated total plan investment of Rs. 22,635 crores in the Fourth Plan, the public sector was allotted Rs. 13,655 crores, i.e. 60%. The importance of the public sector investment varies in different activities.

TABLE 3.2

Pattern of investment : Fourth Plan

(Rs. in crores)

Sl. No.	Head of development	Public sector	Private sector	Total	%age of Col. (3) to Col (5)
1	2	3	4	5	6
1.	Agriculture and Allied Sector .	2,118	1,600	3,718	56·9
2.	Irrigation and Flood Control .	1,073	..	1,073	100·0
3.	Power	2,448	75	2,523	97·0
4.	Village and Small Industries .	186	560	746	24·9
5.	Industry and Minerals . .	3,298	2,000	5,293	62·2
6.	Transport and Communications .	3,197	920	4,117	77.6
7.	Social Services and other programmes	1,335	2,225	3,560	37·5
8.	Inventories	..	1,600	1,600	..
	TOTAL .	13,655	8,980	22,635	60·3

Source : Fourth Five Year Plan 1969-74, p. 53.

The public sector, however, produced 14% of gross domestic product in 1968-69.

3.11. The public sector is composed of two major fields of activity: one, which the Government runs without any *quid pro quo* from the beneficiaries and the other which the Government conducts more or less according to market principles. There are a large number of industrial and commercial undertakings in the public sector which are run on business lines and which are expected to charge for their products and services like other private enterprises. Incentives can be relevant to the latter type of public undertakings in a strict accounting sense. But for our purpose it will be assumed that even such public sector activities will be directly governed by larger goals of national policy rather than the limited considerations of their own profit, and the necessary detailed guidelines for this purpose will be issued by the Government. As such, incentives will be meaningful only in respect of the private sector.[2]

3.12. Each of the spheres in the private sector can be divided into the organised portion, and the unorganised portion. An idea of their relative importance can be obtained from Tables 2.1 and 2.2 in the previous chapter. Agriculture predominantly belongs to the unorganised sector. In this part, the provision of technical assistance and other facilities by the State is likely to be more helpful than mere incentives. Manufacturing is more organised. Such economic activity commands enough technical and organisational expertise to understand, appreciate and utilize the various incentives to its best advantage. It can properly put its case before the authorities. On the other hand, unorganised activity may not have even adequate information. Its major handicap is organizational; it has inadequate marketing links, little technical knowledge to improve the qualities of its products and suit them to varying tastes, and poor access to proper transport and credit facilities. Because of lack of time and information, we have largely confined ourselves to the issue of financial and fiscal incentives to organised industry. We hope that much of what we say here will also be capable of application *mutatis mutandis* in other spheres and to other devices.

Review of Incentives

3.13. We may begin with a review of the incentives that operate in India at present. These incentives were not instituted specifically to promote employment. Each incentive was evolved in the context of particular circumstances and has over the years been modified, replaced or withdrawn in the light of experience, changes in circumstances or intentions. But whatever the intentions behind the incentives, most of them have an impact on employment also, favourable or unfavourable.

FISCAL INCENTIVES BY THE CENTRAL GOVERNMENT:

3.14. The important fiscal incentives to investment by the Central Government comprise tax holiday, development rebate, and special deductions in the case of companies engaged in "priority" industries. The only major regional incentive is the capital grant given by Government (upto 10 per cent) to undertakings located in backward areas[3] and involving investment of less than Rs. 50 lakhs.

---

[2] Apart from thses there are the cooperative sector and joint sector. But size wise they are not important.

[3] For further details regarding backward areas, see para 34.

FINANCIAL INCENTIVES:

3.15. Monetary incentives entail allocation of credit in favour of preferred sectors and concessional terms and conditions on which finance is made available. This aspect has become considerably important particularly because in recent years industrial and commercial enterprises have come to depend quite heavily on Government sponsored financial institutions for long-term capital. The extent of concession or incentive should be measured by the difference in the rate of interest charged by the financial institutions and the rate of interest prevalent in the market.

MEASUREMENT OF INCENTIVES:

3.16. The effect of incentives is to enhance the rate of net profitability directly or indirectly over a certain period of time. Therefore, for purposes of comparison it would be more convenient to find out the present value of the increase in profitability attributable to the operation of the incentives. It would be useful for comparative purposes to translate the present worth of the likely benefit over a period in terms of a meaningful common factor. For different purposes, different factors would be relevant. If the degree of shelter is to be assessed, the quantum of output would be the proper choice. If the change in reward to equity capital is to be assessed, concessions should be measured in that term. We have here chosen total investment for illustration. The actual benefit will be different to different firms because of the particular circumstances in which they may be placed. For example, tax holiday will be meaningless to a company which has not made profits in the first 8 years of its operation. The higher the rate of taxation of profits to which the undertaking is liable, the more the value of the benefit. To estimate the maximum impact of the incentives it has, therefore, been assumed that:

(a) the undertaking starts making profit from the very first year of its operation and that the rate of profit exceeds 6 per cent of the capital employed; and

(b) the undertaking is a company, that the rate of corporate taxation is 57.75 per cent (public company) and that the company does not pay sur-tax.

The rate of discount for purposes of capitalising the future benefit is taken at 10 per cent.

TAX HOLIDAY:

3.17. Tax holiday was introduced in 1949. The intention was to enable the undertaking to improve its net profitability in the initial period. The incentive exempts profit upto 6 per cent per annum of the capital employed. In the Budget for 1971-72, the capital base for calculating exempted profits was changed to exclude debentures and long-term borrowings from capital employed. The tax benefit now is reduced and is largely in respect of 'own' capital. It is available to new industrial undertakings, cold storage plants, new ships owned and used by an Indian company and to hotels owned and managed by an Indian company with a paid-up capital of not less than Rs. 50,000. The benefit is limited to a period of five years from the commencement of production. The unabsorbed part of the benefit in the five year period can be carried forward and set-off during the three years succeeding the tax holiday period. The capitalised value of this benefit of 3.5% tax exemption (6% tax free profit × 57.75% rate of taxation), on the assumption that all capital is own capital, would be equal to[4]:

$$\frac{3{\cdot}5}{(1.1)} + \frac{3{\cdot}5}{(1.1)^2} + \frac{3{\cdot}5}{(1.1)^3} + \frac{3{\cdot}5}{(1.1)^4} + \frac{3{\cdot}5}{(1.1)^5}$$

= 13.3 per cent of capital. If the debt/equity ratio is 1:1, the entire capital grant equivalent would be 6.7% of total capital (own capital + borrowed capital).

DEVELOPMENT REBATE:

3.18. The Taxation Enquiry Committee recommended a development rebate for selected industries of national importance. The Government of India, however, introduced development rebate in the Budget for 1955-56 for all industries. In the Budget for 1971-72 the Finance Minister announced that development rebate will be withdrawn with effect from 31st May, 1974 because "development rebate in respect of new investment has had..................a full play".

सत्यमेव जयते

3.19. The objective of the development rebate was to help industry supplement the 100% depreciation allowance so as to cover the replacement cost of the plant and machinery. The impact of the incentive, however, has been different because of the manner in which the development rebate was operated.

3.20. The development rebate is conditional on two factors:

1. Profits upto 75 per cent of the rebate (50 per cent in case of ships) are transferred to a special reserve account.
2. The funds are retained for the purpose of business and are not distributed as dividends at least for a period of 8 years.

3.21. The rebate is given in the year in which the plant and machinery is installed provided it is used for the purpose of business in the year of installation. But if the machinery is first put to use in the immediately succeeding year, the rebate is allowed in such succeeding year. The unabsorbed part of the rebate can be carried forward and set off over a maximum period of 8 years. The rates at which the development rebate is allowed vary a great deal with the type of asset. Some sample rates are mentioned below :

---

[4] Internal Tax free rate of return taken @ 10%.

Type of Assets	Rate of Development Rebate
	(per cent)
Ships	40
New Machinery & Plant installed in specified priority industries (after 31st March, 1970)	25
New Machinery & Plant installed in non-priority industries (afrer 31st March, 1970)	15

3.22. In the case of priority and non-priority industries the tax advantage expressed in terms of the percentage of cost of plant and machinery would be :

	Tax advantage
Priority Industry[5]	$25\times 0\cdot 5775=14\cdot 4$ per cent
Non-priority Industry	$15\times 0\cdot 5775=8\cdot 7$ per cent

3.23. The two factors mentioned in para 3.20 have made development rebate not only a mere supplement to depreciation allowance or a mere capital subsidy concession but a powerful lever to investment and expansion as it can be obtained in the first year of installation. A substantial part of the development rebate is not available for distribution as dividend and is required to be kept in business for a period of 8 years. It, therefore, increases the ratio of own funds to borrowed funds enabling the undertaking to go in for more borrowings and further investment. The additional investment gives rise to a further element of development rebate leading to still higher investment. The process becomes cumulative. Thus, in order to balance its asset pattern an undertaking keeps on investing.

3.24. The phenomenon can best be described by means of an example. Let us assume that a company invests at the beginning of the year Rs. 100 lakhs of which Rs. 70 lakhs is in plant and machinery[6] (in priority industry) financed from equity and debt in the ratio of 1 : 1 which is kept constant throughout. Let us further assume that the whole of development rebate is invested in the year subsequent to the year in which it is allowed, along with the borrowed capital component. The investment flow of the industry will then conform to the following time pattern:

---

[5] As defined in Schedule V to the Income-tax Act, 1961.

[6] This assumption is made on the basis of the results of the survey of Company Finances made by the Reserve Bank of India.

(In lakhs of Rs.)

	Total investment	Plant & Machinery	Land & Buildings	Development Rebate
1st year	100	70	30	17·5
2nd year	35	24·5	10·5	6·1
3rd year	12·2	8·5	3·7	2·1
4th year	4·2	2·9	1·3	0·7
and so on	..	..	..	..

3.25. The initial investment thus sets off a chain reaction which leads to further investment principally because the resources are available and a commercially viable asset pattern has to be achieved. The total additional investment generated by the initial investment of Rs. 100 lakhs would be:

Additional
investment = 35+12·1+4·2+......
(Rs. lakhs) = 54

The existence of the development rebate eventually leads a total investment equal to 1.5 times the initial investment in priority industries. If the industry were not a priority industry, development rebate would have been at the rate of 15 per cent and assuming a constant debt equity ratio of 1 : 1 additional investment would have been:

Additional
investment = 21+4·4+0·9+......
(Rs. lakhs) = 27

3.26. What these figures indicate is the full impact of development rebate on investment. In practice, there can be leakages which will weaken the impact. Firstly, the full development rebate may not be invested. The taxation laws allow 25 per cent of the rebate to be distributed as dividend even before the expiry of the 8 year period. Secondly, the company may not be able to transfer the full amount of development rebate to a separate account if there are not adequate profits. Even if the rebate is provided for, it is possible that it may be distributed either partly or wholly as dividends after the expiry of 8 year period. Thirdly, future investments from development rebate may be so spaced that the full impact of the development rebate may be revealed only after a pretty long time. Fourthly, it will depend on industrial policy whether the company will be allowed to expand in its own or other lines. Even so, it does appear that development rebate has provided considerable impetus to industrial growth.

3.27. The gross investment in plant and machinery by 1501 public limited companies (RBI Sample) in the year 1966-70 was of the order of Rs 915 crores. This investment was financed from development rebate reserve to the extent of 15 per cent. Since development rebate reserve is the own capital of the company a 1 : 1 debt equity ratio observed as the norm would mean that the availability of development rebate would have induced investment twice the amount of the reserve provided for. In other words, 30 per cent of the gross investment in plant and machinery in 1966-70 might have been induced by the incentive created by development rebate.

PRIORITY INDUSTRY CONCESSION:

3.28. Development in a planned economy has to conform to certain priorities. It may happen that industries which, from a national point of view, have a high priority may not, from considerations of profit motive, have precedence over others. This was appreciated and the Finance Minister in the Budget for 1964-65 announced a reduction in corporation tax to priority industries equivalent to 10 per cent of the income tax and super-tax and 20 per cent of the sur-tax. The rebate was initially available to priority industries like basic metals, industrial machinery and machine tools, cement, fertilisers, paper and pulp, tractors, equipment for power generation, tea, coffee and copper. The rate and mode of concession and the eligible range of industries have changed considerably in the last 8 years. In the Budget for 1971-72 the special concession, *i.e.* tax exempt part of profits in respect of priority industries, was reduced from 8 to 5 per cent and the list of priority industries which had been considerably enlarged was shortened by excluding aluminium, motor trucks and buses, cement and refractories, soda ash, petro-chemicals and automobile ancillaries. This concession has been withdrawn altogether by the Finance Act, 1972 with effect from the assessment year beginning with 1st April, 1973.

INTEREST CONCESSIONS:

3.29. Almost the whole range of interest rates in India is subject to regulation by Government. Even before the banks were nationalised, interest on bank deposits and advances had been subject to policy directives by the RBI. Interest on small savings schemes and Government securities are determined by Government in consultation with the RBI. Interest on debentures and dividend on preference shares are fixed by the Controller of Capital Issues. The rate of interest on institutional loans is equally a matter of policy rather than the outcome of market forces. Possibly, the only rates of interest which reflect more or less true market condition are the rate of interest on company deposits, the bazar bill rate and the rates of interest in the unorganised financial markets.[7] The yield on equities is, of course, not directly governed by the policies of Government, but it comprises more than the normal rate of interest and is much influenced by the corporate tax rates.

---

[7] The rates of interest in the unorganised markets are subject to ceiling under State Legislation.

3.30. The element of subsidy in loans given by financial institutions can be estimated by comparing rates of interest charged by financial institutions and the rates of interest on company deposits. Financial institutions charge an effective rate of 8 per cent (after taking account of the rebate of $\frac{1}{2}$ per cent for prompt payment) on rupee loans. The rates allowed by companies on public deposits vary a good deal depending upon the credit-worthiness of the company. Even fairly good companies are reported to be paying an interest of 9—12 per cent. The loans by financial institutions are secured and for a longer period. If these two factors are taken to cancel out, the differential between interest charged by financial institutions and the market rate might be taken to be about 2-3 percentage points.

3.31. The element of interest subsidy can thus be taken to be at least 2 percentage points. On this basis, the grant equivalent in borrowed capital, taking effective long period at 9 years[8] would be :

$$\frac{2}{(1\cdot 1)} + \frac{2}{(1\cdot 1)^2} + \frac{}{} + \frac{\cdot 2}{(1\cdot 1)^9} \ldots\ldots\ldots\ldots$$

= 11.5 per cent of capital borrowed from financial institutions.

3.32. The actual benefit to the undertaking as a proportion of the total cost of the project will depend upon the part of finance acquired from the financial institutions. This proportion was about 10 per cent of the capital (own + borrowed) in 1969-70. On this basis, the capital grant equivalent in the total project would be equal to only 1.2 per cent.

3.33. The financial institutions, principally IFC and IDBI, have also special schemes for concessional finance to projects in specified backward areas comprising more than 200 districts. The rate of interest is 7 per cent (with a penalty of $\frac{1}{2}$ per cent for default). Also, loans under concessional finance are for a longer period *viz.*, 15 to 20 years (against the normal period of 10 to 15 years) and allow an initial moratorium of 5 years (against the normal period of 3 years). The capital grant equivalent in respect of institutional loans will now increase from 11.5% to 20.9%. Taking the institutional loan component at 10% of capital (own and borrowed), the net advantage to the undertaking would be 2.1 per cent.

SPECIAL CONCESSIONS TO BACKWARD AREAS :

3.34. Till recently incentives granted were neutral with reference to location of industries. Though rectifying regional imbalances was one of the objectives of Indian planning, the incentive structure was not designed to attain this objective. Setting up of large-scale industries in certain pockets of backwardness in relatively under-developed States (such as Bihar, Orissa), was perhaps the only positive step taken by the Government to reduce regional imbalances.

---

[8] . This has been calculated as the period of moratorium of three years plus half the period of 12 years over which the loan has to be repaid in equated instalments.

3.35. The first important step to promote balanced regional growth was taken when the Planning Commission set up two working groups —the Pande Committee to identify backward regions and the Wanchoo Committee to suggest fiscal and financial incentives for promoting industries in these areas. Following the Wanchoo Committee Report, it was decided that the Government of India would subsidize the establishment of industrial units in backward regions to the extent of 10 per cent of the total fixed capital investment of projects, both in the private and public sectors, provided such capital cost did not exceed Rs. 50 lakhs in individual cases. The subsidy is available for industrial schemes in two districts in each of the backward States, *viz.* Andhra Pradesh, Assam, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Rajasthan and U.P. In other States and Union Territories the subsidy will be available in one district in each case.

PRICE PREFERENCE TO SMALL SCALE UNITS:

3.36. The Government gives 15 per cent price preference in respect of purchase from small-scale units. This preference helps small-scale units to compete more effectively with large undertakings; but they may not, however, be able to take full advantage of the preference. Under the present tendering system for Government purchases a small scale unit will have to compete not only with large-scale unit but also with other small units. As such, any small unit tendering for Government orders may have to quote a price which is its normal selling price and not the price charged by large-scale unit plus 15 per cent. Thus the preference element largely helps a part of Government orders to be channelled through the small-scale units.

COMBINED CENTRAL INCENTIVES:

सत्यमेव जयते

3.37. The total net advantage to an undertaking due to various incentives will depend upon a variety of circumstances. In earlier paragraphs the relevant incentives have been measured in terms of capital grant. For the different incentive measures the capital grant equivalent as at present has been found to be as follows:

	Priority[9]	Non-priority
	(per cent)	
1. Tax Holiday (wholly owned capital)	13·3	13·3
2. Development Rebate (Plant and Machinery)	14·4	8·7
3. Interest Subsidy on institutional loans (borrowings from financial institutions)	11·5	11·5
4. Capital subsidy (fixed investment) (industries upto Rs. 50 lakhs in backward areas)*	10·0	10·0
5. Concessional Finance by IFC, IDBI, etc. to industry in backward areas (borrowings from financial institutions)*	20·9	20·9

---

[9] As defined for purpose of development rabate.

*The definition backward areass is different for purposes (4) and (5). *See* paras 33 and 35.

3.38. The total element of capital grant equivalent of incentives granted by the Central Government and All-India term lending institutions will vary from undertaking to undertaking. This has been worked out in a few selected cases below:

Case I: Investment undertaken by a new company in priority industry with investment above Rs. 50 lakhs, financed from debt and equity in the ratio 1:1, the whole of the debt being loans from financial institutions, the project being located in an area other than backward[10] and the company being able to earn profits in the initial years

The capital grant equivalent would be equal to 22·6 per cent. The different components would be :

	Capital-grant equivalent (%age of own+borrowed capital)[11]
Tax Holiday	6·7
Development Rebate.	10·1
Interest Subsidy in respect of loan from financial institutions.	5·8
TOTAL . .	22·6

If the investment were financed wholly from own resources tax holiday component would have gone up to 13·3 per cent and the interest subsidy gone down to zero. In this case the total incentives would have been equal to 23·4 per cent.

Case II : Investment undertaken by large company which has been in business for more than 8 years in non-priority industry, investment being financed half from own resources and half from borrowings.

	Capital-grant equivalent (%age of won+borrowed capital)
Development Rebate	6·1
Interest subsidy in respect of borrowing from financial institutions	5·8
TOTAL .	11·9

---

[10] As defined for purposes of concessional finance from All-India term lending institution.

[11] It is found that generally the fixed assets of companies are approximately equal to own capital plus long-term borrowings.

Case I and case II represent more or less extreme positions. Hence it can be generally said that for large companies the element of capital-grant equivalent of incentives would vary broadly between 12-23 per cent, the incentive being higher in respect of new companies engaged in priority industries.

Case III: Investment undertaken by a small/medium undertaking newly established in backward area in priority industry, investment being financed to the extent of one half from concessional loans.

The capital grant equivalent would be equal to 37·3 per cent, the different incentive components being as follows:

	Capital-grant equivalent (%age of won+borrowed capital)
Tax Holiday	6·7
Development Rebate.	10·1
Interest Subsidy (in respect of laons from financial institutions on concessional terms)	10·5
Capital Subsidy	10·0
TOTAL .	37·3

Small-scale/medium industries located in backward regions get the advantage of capital subsidy. If they are not located in backward areas, the capital grant equivalent would be 22:6 per cent, the same as the large scale sector.

सत्यमेव जयते

3.39. The above examples give a broad picture of the advantages to industrial undertakings under different situations. The incentive element is the highest in the case of small/medium undertakings for priority industries located in backward regions. It is the least in the case of large established undertakings engaged in non-priority industries and financing investment mainly from own resources. In the latter case, the only meaningful incentive is development rebate.

STATE INCENTIVES:

3.40. The incentive schemes of State Governments vary a good deal. There are, no doubt, certain common characteristics like encouragement to small-scale industries, development of backward areas, etc. But the mode and extent of incentives or assistance are not the same.[13] It would be too cumbersome to make a quantitative evaluation of the incentives offered by each State Government. The point can, however, be illustrated by examining the incentive structure of any single State, say, Maharashtra.

---

[12] For this purpose different states have different schedules which lay down the areas in which these concessions are available.

[13] For some idea of the range *see* Annexure III.

3.41. The Maharashtra Government initiated a new package scheme of incentives with effect from April 1, 1969.[14] The scheme encompasses the following incentives :

1. Interest free loans either to 'recoup' sales-tax paid or to invest in fixed assets.
2. Relief in electricity tariffs octroi duty, water royalties, and non-agricultural assessment.
3. Contribution towards cost of feasibility studies.
4. Support for obtaining industrial licence, loan guarantees, assistance in technical training of personnel and contribution towards cost of industrial housing.
5. Preferential treatment in Government purchase programme.

The incentive aspect relevant for enhancing profitability is particularly manifest in (1) and (2). (3) and (4) are more in the nature of facilities. For reasons mentioned earlier, preferential treatment in Government purchase programme may only ensure larger sales to the small-scale sector as a whole but may not appreciably increase profitability of any particular individual unit.

3.42. The sales tax refund scheme relates to the Central and State sales-tax paid on the raw materials purchased and finished goods sold. It consists of two parts. The first part is relevant to new industrial units started in undevelopped areas of Maharashtra. The refund is given in the form of interest free loans repayable in three annual instalments after 18 years subject to a maximum of 8 per cent of the investment in fixed assets for each of the first six years from the date of production. Part II of the scheme relates to an existing undertaking which has paid more than Rs. 3 lakh as sales-tax per year for the last three years. The refund is restricted to the payments during the last three years and to 25 per cent of the fixed assets in new units located in underdeveloped areas. The terms of the loan are the same as in the first part on the assumption that the sales tax paid by the existing firms in the last three years and payable by new firms in the next six years is large enough to enable them to take the maximum advantage. The capital grant equivalent under the most favourable circumstances would be 28·7% of fixed assets in the first case and 20·5% in the second.

(i) Part I[15]: $$\frac{3\cdot5}{(1\cdot1)}+\frac{3\cdot5}{(1\cdot1)^2}+\ldots\ldots\ldots\ldots+\frac{3\cdot5}{(1\cdot1)^{18}}$$

$=28\cdot7$ of fixed assets.

(ii) Part II : $$\frac{2\cdot5}{(1\cdot1)}+\frac{2\cdot5}{(1\cdot1)^2}+\ldots\ldots\ldots\ldots+\frac{2\cdot5}{(1\cdot1)^{18}}$$

$=20\cdot5$ per cent of fixed assets.

---

[14] Apart from package incentives some other incentives are also available. *See* Annexure IV.

[15] Since 8% of the fixed assets can be obtained as maximum loan at the end of the first year, another 8% at the end of the second year and so on, for a total period of six years, its present equivalent would be equal to

$$\frac{8}{(1\cdot1)}+\frac{8}{(1\cdot1)^2}+\frac{8}{(1\cdot1)^3}+\ldots\ldots\ldots+\frac{8}{(1\cdot1)^6}=35\%$$

of the fixed assets permitted as loan immediately.

3.43. The value of the concessions in respect of electricity, octroi, etc. varies considerably with the product and location of the industry. The electricity concession is available for a period of five years, and is meant to bring the burden of electricity charges in line with the tariffs in Bombay. Exemption from payment of royalties in respect of water from public source is for six years. The element of these concessions is comparatively small on the whole.

CENTRAL AND STATE INCENTIVES

3.44. To get a broad idea of the overall element of incentives available to an enterprise it would be desirable to combine the incentives offered by the Centre and the States. The incentive schemes, as they are framed, vary with respect to the type of industry, viz. priority industry and non-priority industry, and with respect to location, viz. developed and backward. The total incentive expressed as capital grant equivalent in different combinations of circumstances is given in the following table:

	Developed Areas		Backward Areas	
	Priority Industries	Non-priority industries	Priority	Non-priority industries
	(%age of capital)			
I. Central Government & All India Term lending Institutions.				
Tax Holiday (New units only)	6·7	6·7	6·7	6·7
Development rebate	10·1	6·1	10·1	6·1
Interest subsidy	5·8	5·8	10·5*	10·5*
Capital subsidy	..	..	10·0*	10·0*
II. State Government (Maharashtra) Sales Tax Refund				
(Part I)	..	..	28·7*	28·7*
(Part II)	..	..	20·5*	20·5*
	22·6	18·6	66·0 or 57·8	62·0 or 53·8

---

* It must be noted that as pointed out earlier, the definitions of under-developed/backward areas vary for the purpose of different concession.

The different assumptions underlying the capital grant equivalent calculations have been explained while discussing the individual incentives. Here it may only be noted that the calculations have been worked out on the assumption that firms are in a position to take maximum legitimate advantage of these concessions. In practice this may not be so.

3.45. The incentives include development rebate which will be withdrawn with effect from May 31, 1974. If this is excluded, the element of incentive will vary only with respect to location of industries from 12.5% in developed areas to 47.7—55.9% in underdeveloped areas.

3.46. In interpreting the translations of the various fiscal and financial concessions in terms of capital grants, it should not be forgotten that the common unit of measurement does not fully reflect the conditions under which they are granted nor the psychological impact. The advantages of the development rebate can accrue to undertakings only to the extent that their gross profits exceed the depreciation charges. A capital grant is directly and immediately available. Whether the project meets its costs or not, whether it earns or does not, the concession immediately increases its liquidity and reduces the risk of the entrepreneur. It is, however, confined to location in certain backward areas and only to small-sized units. The first practice is justifiable as backward areas have initial handicaps which greatly increase the risks of business; the second can only be justified if economic analysis reveals that the development of backward areas is not specially helped by larger projects, or that the latter will only come if it has other overwhelming advantages like raw materials, or that their problems will be taken care of in other ways.

3.47. Some devices cannot be given a capital grant form except with the help of very detailed information and on the basis of many assumptions. For instance, one great advance that is being recently made is the extension of organised credit facilities to agriculture and small-scale industry. Targets for loans to the weaker sectors have also been laid down and new concepts of credit worthiness have been introduced. The benefit of this new arrangement will be of a twofold nature. Certain firms would switch over their borrowings from private unorganised sources to banks. Others would find new production plans now becoming attractive. More important, the new credit facilities would radically change their outlook to investment and research. This cannot be easily translated into money terms, though their favourable effect on employment cannot be gainsaid. Provision of common facilities, purchase and allotment of land, etc. may fall into the same category.

3.48. Unlike Central incentives to industries State facilities and incentives suffer from a handicap. They have to operate in the all-India context. It is, therefore, likely that some of the State incentives have the effect of diverting industry from one State to another, or that many of them just counteract and cancel other States' similar concessions. If one State offers new industries exemptions or concessions say in respect of sales tax or electricity charges, another neighbouring State must do so, and there may be no net advantage to the country as a result. Linking up the advantage to sales tax paid, electricity consumed, water used, etc. seems to have no particular rationale unless it is meant to offset temporary disadvantages in those specific fields; otherwise the strength of the advantages becomes dependent on entirely accidental factors which have little to do with the needs of the case. Since in a well-devised sales tax system luxuries are liable to higher taxation, sales tax concession *en bloc* will more encourage new units in these lines. The States' viewpoint would be that in giving new units sales tax exemption and attracting them, they lose nothing and at the temporary sacrifice of doubtful additional revenues they get additional sales tax proceeds and other advantages of having more industries within their borders after the lapse of a few years. This angle has no all-India relevance and logic. There is also a fear that the advanced States are in a better financial position to give more advantage to industries located within their borders; in any case, they are in a better position to effectively implement the concessions. We have elsewhere given the results of an investigation made by our official team in Assam[16] which shows how inadequately the concessions are implemented there. With the generally better infra-structure that the better-off States can provide, they will be in a privileged position. It is of the utmost importance that there should be harmonization of devices among States and that the major concessions to industries should be on principles agreed to on an all-India uniform basis and should be administered efficiently.

3.49. The present incentives to industry have been evolved haphazardly at various levels and for various purposes in response to immediate problems and needs. These incentives and arrangements have been changed from time to time, but hardly as a result of any overall review and evaluation. As the notes on working of incentives in States show[17] even institutions responsible for the working of incentives have hardly kept any data regarding their use and effects in a form which would make evaluation of their operations easy. Further, there has been a lack of coordination among different State agencies administering State incentives. One has, perforce, therefore, to rely more on a priori analytical reasoning.

Criteria for Incentives

3.50. In laying down criteria for the need of a particular type of incentives, one must first precisely define the purpose it is expected to serve and its importance in the overall context. If the broad aim is employment, the next question to ask is whether compared to the other ways of achieving this aim, incentives alone, or in combination have a technical superiority. If one is thinking of tax incentive, it must be recognized that it implies a revenue less, which may or may not be made up soon. If the tax base expands as a result of the tax incentive, tax revenues may so increase with the same system of taxation that the revenue loss is more than made up. But this is not always so. If there is a revenue loss, the counteracting effect of reduction in public savings or Government ability to provide public services without resort to inflationary financing has to be considered on the liability side. A large number of tax incentives invite the risk of loosening tax administration by persons trying to pass off their activities as belonging to favoured sectors. There is also the danger that while each individual incentive considered in itself may have a strong case, the effects of combined incentives may be to defeat the broader purposes like equity, which many regard as the supreme purpose of the tax system. In a wider context, an incentive given for one purpose may run counter to another. For example, steps to encourage small-scale industry have helped its location in metropolitan areas, thereby harming the important aim of preventing further concentration in such areas. The goals will then have to be given some weights, and combinations of incentives found which will be able to reconcile the conflicts in the best possible manner.

---

[16] *See* Annexure II.

[17] *See* Annexures IV, V, VI and VII for Maharashtra, Gujarat, Haryana and punjab respectively.

3.51. As we have noted earlier, underdeveloped/backward areas have been defined differently for purposes of concessions by different authorities, the Central Government, the All-India term lending institutions and the State Government and State financial institutions. An integrated approach to the problem of economic development of such areas has been lacking. Since such development demands also the building up of a proper infra-structure the present position has only meant a scattered and unproductive use of scarce resources. A more purposeful, vigorous and coordinated policy is urgently essential.

3.52. It is obvious that employment generation is one aspect of general economic growth. Hence the main thrust of any incentive scheme must be to intensify the development process. This would require that the rate of savings and investment are pushed up to the maximum extent possible. The means to do so, though extremely important, are largely outside the terms of reference of the Working Group and, therefore, no attempt has been made to discuss the issue. The discussion here is limited to measures which would ensure how a better deployment of these resources can be made to generate larger employment opportunities.

3.53. The effort will have to be directed towards·

1. Utilising capacity fully so as to create larger job opportunities with existing equipment;
2. Making labour-intensive technology more attractive;
3. Altering the pattern of demand, and consequently, of production in favour of labour-intensive goods;
4. Regional dispersal of industry;
5. Increase in exports;
6. Stimulation of investment or production.

Of these, the employment viewpoint will regard (4) as demanding the highest priority and the most powerful.

CAPACITY UTILISATION

3.54. The employment potential of the capital equipment in organized manufacturing sector has not been fully utilised. There is large surplus capacity in a number of industries. If this capacity had been fully used, significant additional employment of persons would have been possible.

3.55. The reasons for under-utilization of capacity vary from industry to industry. They include deficiency of demand partly due to fall in real investment in the public sector, shortage of essential raw materials, lack of power and transport, and unhealthy industrial relations. In many of these, incentives as such cannot be a powerful means to promote full utilisation of capacity.

LABOUR INTENSIVE TECHNIQUES

3.56. Incentives have a role to play in influencing the techniques of production in favour of labour. This issue can be examined in two parts:

1. Choice between labour-intensive and capital-intensive techniques;
2. Choice between small-scale and large-scale units.

A doubt is often expressed as to the feasibility of a real choice in the adoption of techniques with different degrees of labour-intensity in modern sectors if economic efficiency and economic growth are not to be sacrificed. Insofar as many of our production techniques are borrowed bodily from developed countries which have all a problem of labour scarcity, this view rightly stresses the need of our undertaking independent research and experimentation on a considerable scale in production designs, processes and techniques, and underlines the danger of leaving it to other countries. But even with the existing knowledge there is a critical range where such a choice exists.

3.57. Where such choices are possible and labour intensive processes are not inefficient from the social viewpoint (as unemployed labour has a cost to the society) or in sectors where labour is paid more than its opportunity cost, the State may either lay down the techniques not to be permitted or to be followed or offer such inducements as to more entrepreneurial decisions near the social optimum. More generally, the objective will be to create conditions in which entrepreneurs will be more careful in the use of capital and more inclined to the use of labour. Prima facie in a country like India where wages are low in many sectors, encouragement to employment through wage subsidization will have very limited applicability. The large extent of self and unorganised employment lead to the same conclusion. This limitation is likely to set up many artificial differentials between small and large industry, between near and far-off areas about which a policy-maker must be on his guard[18].

3.58. The need for developing small-scale industries has attracted considerable attention in recent years. Though sometimes small scale units are as capital-intensive as the large-scale units, they use, on an average, more labour and produce more per unit of capital. They also lend themselves to a programme of dispersal so that employment becomes regionally widespread. Hence, if the growth of small-scale industries, including village and agro-industries, is deliberately fostered, there is likely to be generation of larger and widespread employment opportunities. This growth has been sought to be promoted by various regulations and facilities.

LABOUR INTENSIVE COMMODITIES

3.59. The labour content in the production of different commodities is different. Employment generation will be greater if demand in the economy is engineered to favour labour-intensive commodities and disfavour capital-intensive commodities, the degree of such shift will be decided by the cross price-elasticities of demand. This may specially be advocated when capital-intensive commodities happen to be luxuries. Given the income distribution, however, it may not be possible to carry the process far.

REGIONAL DISPERSAL OF INDUSTRIES

सत्यमेव जयते

3.60. Incentives can also be used to promote greater dispersal of industry. There would have to be centres of development of focal points depending on nearness to market, on the one hand, and proximity to sources of raw materials, on the other. Distance will have to be computed not in terms of kilometres alone but in terms of availibility of cheap and quick transport and means of communication. Incentives will have to be devised to attract industries to potential growth centres and to relocate labour in these areas. The overall effects of such dispersal in a country like India will depend on how far the programme will initiate a much faster rate of development.

EXPORTS

3.61. Exports from India generally are labour-intensive. They facilitate additional imports either in the field of non-substitutable consumer goods or essential raw materials and capital goods needed for development. In the latter case they can have multiplier effects on production and employment. A large number of concessions are, therefore, given for promotion of exports, including a cash subsidy provision of Rs. 59 crores in the 1972-73 budget. Many of them are only intended to remove the handicaps that Indian exports suffer from. If, however, the incentives themselves result in additional substitutable imports, their direct impact on domestic employment could be adverse. In this regard the import replenishment schemes which entitle exporters to import 2%—90% of f.o.b. value of their exports need to be constantly reviewed.

---

[18] See A. R. Prest—Role of Labour Taxes and Subsidies in promoting Employment in Developing Countries in ILO—*Fiscal Measures for Employment Promotion in Developing Countries*— p. 176.

INVESTMENT AND PRODUCTION

3.62. In an econimy like India's, where many goods are scarce, investment and production may need various facilities but should not require any general incentives except in special circumstances. There would be enough general stimulus for expansion and starting of new units, and special fiscal and financial incentives should be ordinarily ruled out. If in the case of any commodities pricing and tax policies are coming in the way of increases in their production, the possibility of revision in these policies should be examined first, and only if this revision is not in general interests the question of a suitable incentive should be taken up. Where additional production is urgently needed and a remunerative price level cannot be allowed, some temporary non-price incentive may be considered desirable, and a tax credit or relief on additional production or profit can be given. In industries of great national importance if the techniques are unfamiliar and complicated or if the gestation period is long, some special encouragement may be called for.

Suggestions for New Incentive Schemes

3.63. As said before, owing to lack of reliable and relevant statistics and the simultaneous operation of regulations and controls and extension of other facilities it becomes difficult to form any considered judgement regarding the effects of incentives. But there is no doubt that on all its major fronts to secure more employment, viz., reduction of excess capacity, stimulation of labour-intensive techniques, encouragement of small-scale industry, altering the pattern of demand in favour of labour-intensive commodities, regional dispersal of economic activity, encouragement of exports, and general aid to more production and investment, the success has been very limited. The system, therefore, needs to be reoriented with reference to:

1. The total amount of incentive that should be offered;
2. the type of incentives that should be offered, and
3. other steps that may be simultaneously needed.

3.64. What the reasonable level of incentive should be cannot be said *a priori;* in conjunction with other devices they must be powerful enough to achieve the objectives in view. The level would, therefore, vary with the detailed circumstances. In this connection, one must bear in mind the level of protection against foreign competition now regarded as reasonable by many development economists, and the level of tariffs and quantitative import controls actually prevalent in many developing countries. There is no perfect analogy between international and interregional trade. Prospects of greater labour and capital mobility, the accepted ideal of free commodity movements and possibilities of regional income transfers and of equalization of public services through fiscal operations make a region very different from a nation. But some regional economists have expressed dissatisfaction with the lower level of differential advantages as being a cause of persistent regional imbalance.[19] Any level of incentives, therefore, cannot be easily ruled out as being too high in itself; it has to be considered in conjunction with the duration, the detailed objective, and the efficacy of other alternative devices. At the same time, the incentives must not impose a high burden on the Budget. From this point of view, it appears that, to the extent possible, a new proposal for incentive to do something, say, make greater use of labour, should be combined with a disincentive to discourage greater use of capital, or removal of an existing incentive. Such a combination of incentives and disincentives. It would minimise the revenue loss to the Government is in terms of this approach that a set of measures has been indicated below :

3.65. It has been found that in recent years the trend has been in favour of capital-intensive technology. This is largely the result of modernization of the methods of production. Undoubtedly, it would be wrong to deliberately deny ourselves the advantages of modern technology, where it economizes the use of both labour and capital, or where it is essential in the interests of safety or needed precision or surplus for growth. But it is equally true that within this larger objective, in a capital-scarce economy, where wage-profit ratio in certain lines may not reflect the labour-capital endowment, it is essential to economize the use of capital and encourage greater use of labour. Many of our existing incentive systems work in the reverse direction, and, therefore, need to be reoriented.

REMOVAL OF INTEREST SUBSIDY

3.66. It has been observed that there has been a hidden subsidy in the form of concessional interest rate charged by financial institutions. This subsidy should be generally done away with, not only with reference to large-scale but also small-scale enterprises. An increase in interest rate will raise the prices governed on a cost-plus basis specially in those concerns where the capital borrowed from financial institutions is large. Where development and welfare effects of such a price rise are felt to be adverse, a subsidy can be given. We do not think this will be essential over a wide sphere. If the development of a particular sector is considered vital on the ground of its potential contribution to the economy which is not reflected in commercial balance sheet and where a subsidy will not help, it may be legitimate to allow financial institutions to charge concessional interest rates. For their smooth and successful operation, financial institutions should enjoy some flexibility in their operations, including fixation of interest rates and repayment periods. Owing to their close and intimate touch with the enterprises they are in a good position to judge the business side. Many of these institutions and commercial banks are either nationalized or closely controlled by the Government, they can be trusted to carry out the tasks assigned to them.

---

[19] "Perhaps the most important comment suggested by Italy's experience is that not sufficient attention has been paid to the fact that industry growing up in an underdeveloped area must operate under the shadow of industry already established in other areas of the same country while benefiting from a degree of protection provided by so called incentives—which is inevitably far less than that which infant industries have always enjoyed in all countries in all times" P. Saraceno Development Policy in an Underpopulated Area in E. A. G. Robinson (ed.) *Backwerd Areas in Advanced Countries* Macmillan,1969, PP. 238-9.

SUBSIDY TO EMPLOYMENT

3.67. It would be worthwhile considering whether this measure cannot be reinforced by making employment of labour more attractive. An effective way, which has been tried with some success in other countries is to treat wages more favourably for tax purposes than other expenditure items. It would be more appropriate though more difficult to relate the weighted wage bill to the number of persons employed rather than the wage bill as such. A possible alternative would be to give undertakings relief in respect of their social security contributions.

3.68. There are, however, a large number of difficulties associated with the employment subsidy. In the first place, to keep it financially manageable and create an impact, the subsidy should be given to additional employment rather than to employment as a whole. Additional employment can be manipulated by break-up of units, closure of an old unit and starting of a new one, etc. A subsidy adopting this criterion would necessarily have to be confined to only large scale enterprises. The additional employment covered will only be direct. In the case of agro-industries important from the view-point of backward areas, the more indirect employment in input-supplying farms will not be taken into account. An employment subsidy is, therefore, to be ruled out both on administrative and financial considerations.

SUBSIDIES RELATED TO CAPITAL

3.69. The major defect of the existing system of incentives is that most of the concessions are linked to capital and some to fixed capital and, therefore, entrepreneurs may be induced to use more of capital. To stimulate production and investment in the private sector, capital and enterprise must be attracted and this can only be done by making the rate of return attractive. Assuming that this cannot be done through a change in the external environment, it has to be managed through incentives. From the view-point of the entrepreneur, assuming he is likely to get the same amount, he would prefer a capital subsidy to one on production and the latter to a development rebate and a development rebate to a tax holiday. From the view-point of the economy, a concession linked to productive employment would be welcome; if a subsidy to employment is ruled out production, profits or investment are the alternatives to be considered. A production subsidy will have to be given at varying rates. This makes it cumbersome. It will generally have to be linked with the existing system of excise duty or sales tax or in the alternative it will necessitate a new apparatus. Between profits and investment the former would be a preferable base. Investment may not necessarily fructify in more production or employment and capital can be substituted for labour.

TAX-EXEMPT PROFITS AND RESERVES

3.70. We feel that as far as priority industries referred to in para 3.62 are concerned, a powerful uniform incentive not related to investment that can be offered to them is to completely exempt their profits from income taxation for a period say three years after the commencement of production. This will also serve as an effective inducement to quick and efficient operation. This will differ from the existing tax holiday incentive both in its coverage and the link to capital. We have already explained in para 3.62, why we do not consider a general system of incentives desirable for all new undertakings. Under the tax holiday scheme, the tax exempt profits are related to own capital which would mean that more profits obtained from greater use of labour will have full impact of taxation. In addition for such industries a scheme of investment reserves as in Sweden can be considered. While in Sweden such a scheme is used mainly as a counter cyclical measures its modified version can be used in our country for growth of certain selected industries and for development of selected backward areas. Industrial concerns may be permitted to transfer upto 30% of their pre-tax profits to a special investment reserve fund. The whole of these should be deposited with the Government and should be made available to industries for investment in specified types of economic activities or for investment in selected backward areas. The Government should pay a reasonable rate of interest on these reserves. If the companies desire to use the reserves for other purposes, they should be permitted to do so only after the payment of the tax. Naturally they should not be allowed interest on this part of the reserves. Such a scheme will also act as incidental incentive to company savings.

3.71. The devices for small-scale industries, it has been found from experience, can be more effective if these are in the form of assistance than fiscal or monetary concessions. This has been appreciated by the authorities and efforts on these lines have also been made. However, there is considerable scope for expending facilities in this field.

RESERVATION OF PRODUCTION

3.72. A section of industry has been reserved for small-scale and village industry sector. This has given some protection to small industries. A relevant point here is the difference in the cost of production between small and large units. It is likely that due to economies of scale, cost per unit of production may be relatively lower in large-scale capital-intensive units than in small-scale ones; encouragement to small-scale industries under these circumstances one may argue, would imply promoting inefficient units of production. This line of reasoning rests on a static view of the situation. The production processes in village industries and some small scale industries are still traditional. With multiplicity of measures aimed at improving the technique of production, uplifting of traditional skills through proper training, marketing and credit facilities, etc. which are being taken, the economic performance of these industries can improve substantially. Once this happens, the gap in costs of production between small and large units may be eliminated. A note of caution may, however, be sounded in this connection. Village or small-scale industries should not be given special encouragement only because they give employment specially now as we will have a public assistance programme. The heart of the problem is to master the art of locating lines in cases the comparative differences in costs can be quickly bridged, the devices through which this can be done and their effective implementation. Errors in these can prove costly and can make the whole programme a drag on economic growth.

ANCILLARY PRODUCTS

3.73. The major role of small scale sector is in ancillary products. The development of ancillary industries is also necessary to reduce the cost of production of the main product. The growth of ancillaries can be fostered if a machinery can be devised to coordinate the development of large-scale parent industry and of ancillary industries, right from the initial stage.[20] In order that the full potential of major industries for area growth is realised, it is important that their backward and forward linkages should be studied and plans should be laid down in advance as to how the area could be prepared to benefit most from these linkages. This is possible if a Joint committee of small and large industry organisations is set up to examine the applications for industrial licensing from this angle and indicate possible areas for ancillaries connected with parent industry.

3.74. Location of ancillaries may have to be done near the parent units. In other cases it would be desirable to locate small-scale industries at selected growth centres rather than spread all over the country. This step will result in considerable economics in infrastructure and facilitate provision of other 'assistance' services. Therefore, incentive schemes, instead of being general, must as far as possible be specific in regard to location.

---

[20] The commendable efforts of the Hindustan Machine Tools Ltd. in this direction are described in Annexure VIII.

REGIONAL DEVELOPMENT CORPORATION

3.75. It has been accepted that a definite effort has to be made for dispersing industries to backward areas. In the earlier chapter, we have discussed the criteria for selection of growth centres in certain backward areas, and for the location of the right nuclei of industries there. The industries so selected need the greatest efforts to develop through provision of facilities normally lacking in such areas and a system of incentives. A rapid and selective expansion of the economic and social overheads will have to be planned by the Government keeping this in view. When these centres achieve a degree of viability the incentives can be withdrawn.

3.76. We feel that the best agency to look after such areas would be the Regional Development Corporation which would also be responsible for selecting homogenous areas for intensive activity, say development blocks. While the selection of such areas shall be mainly on economic grounds, social considerations may also be given some explicit weight e.g. development of a viable agriculture and related industrial possibilities may be considered for a dry farming tract. Since we contemplate that important incentives should be given by the Central Government for the economic development of the area the selection of areas must be approved by an All-India body which should ensure uniformity and co-ordination among different states in this matter. We suggest that the Industrial Development Bank of India which has already taken some steps in this direction of area surveys and area planning may be entrusted with this task. Considering the differences in the financial and administrative capacities of different State Governments, the seed money for such Corporations may be provided by the Government of India. The Government of India may also prepare a roster of trained managerial and technical personnel to man such institutions and may make available the required expertise, as and when requested. Training facilities may also be provided. The Regional Development Corporations@ will play an active role in the preparation of area development plans and channel the efforts of State level agencies, term lending institutions, and nationalised banks for the implementation of the projects it prepares. It will have to decide whether having regard to the nature of the project it will be preferable to put it in the public, joint or cooperative sector. If the project has to deal with *atomistic input producers;* there will be a strong case for such a preference, in other cases it will try to get private entrepreneurs interested in them. The Regional Development Corporations may sponsor such activities themselves if other agencies are not forthcoming and also if necessary engage in the provision of certain types of infrastructure activities e.g. veterinary facilities in the case of a dairying project, specific training facilities and construction of approach roads, etc.

@ For details regarding what such regioal development Corporation should aim at *see* Annexures IX and X.

In short, although their role is generally expected to be that of planning and promotion, they may play a direct entrepreneurial role themselves and take action for removal of specific bottlenecks to area development.

3.77. The pattern of development of backward areas that we visualize is such that at the end of a fixed period, say, five to ten years, the backward areas should grow into developed ones, so that special attention to them should be no longer essential. We, therefore recommend that there should be a periodical review of the status of selected areas.

CAPITAL GRANT

3.78. The major deficiencies in such backward areas will be lack of local entrepreneurship and skilled labour. To attract them from outside, sufficient inducements may be needed. Very often in such areas the likelihood of new economic activities being successfully carried out is heavily discounted. A development rebate or exemption of profits from tax has therefore, little appeal. Experience in other countries has revealed that a capital grant is more effective in this connection, as it has an immediate impact. Since it is contingent only on the act of investment it accrues soon and improves the liquidity position. We therefore, recommend a capital grant to all new units set up in selected backward areas. For administrative reasons very small units will have to be kept out. In addition, the use of tax-free reserves mentioned in para 69 should be permitted for investment in these areas. These together will replace all the existing concessions. In view of our plea of the entire abolition of all State incentives which are subject to the defects mentioned in para 47, we think it will be fair to increase the capital grant to 20 per cent.

INDUCEMENTS TO MOBILITY OF CRUCIAL PERSONNEL

3.79. The movement of industry to growth centres will call for some mobility of labour from nearby areas. Advance planning will have to be done for providing adequate civic amenities to such labour, and also for meeting costs of movement. In Sweden, to tackle the problem of pockets of unemployment in an overall situation of virtually full employment (2 per cent unempoyment) an elaborate system of such allowances has been successfully operated. In India, due to a large number of unemployed, it may not be feasible to extend such inducements to all of them in view of limited fiscal resources. But a scheme on these lines, restricted to some crucial personnel, may be thought of an experimental basis.

3.80. The major changes suggested in technical, fiscal and financial devices may be briefly summarised as follows:

1. In the present Indian context, fiscal and financial incentives should not generally be essential for stimulating production and investment. A speedier, more consistent and more purposeful administration of controls and regulations may be more helpful in this connection.

2. In the public sector, the employment objective can be directly achieved, incentives are, therefore, not essential except in public industrial and commercial undertakings and that also for only accounting and management control purposes. They may be necessary in the private sector to supplement and reinforce controls and regulations.

3. In the private sector, the unorganized parts like agriculture and village and small industry suffer from such handicaps as need radical organizational changes, detailed controls, and a widespread extension of public services facilities. Technical devices are more helpful in their case. On the other hand, the organized parts are in a position to fully benefit from incentives.

4. The incentives to industry are many, but they have evolved haphazardly. They have been introduced and modified from time to time for various conflicting purposes. It is difficult to quantify them or even reduce them to a common pattern. There is no detailed reliable information about the working of these incentives. The varying State incentives are likely to work at cross purposes like competitive advertising. The more advanced States because of their better financial position and administration are likely to do much better in this regard.

5. The major fiscal incentives given by the Central Government for industry in developed areas are the development rebate and the tax holiday. The withdrawal of development rebate has been announced from May 31, 1974. In our opinion, this is a correct step. Tax holiday benefit also in its present form should be withdrawn, as it is linked to capital. All-India term lending institutions charge concenssional interest rate for all their loans. The continuance of this practice, in spite of utmost scrutiny by the institutions, is likely to promote generally the greater use of capital and capital-intensive techniques and should be generally done away with.

6. A subsidy to organized industry based on the number of persons employed appears as the best device to encourage labour intensive techniques and thus employment but owing to many administrative and financial difficulties, it is not recommended.

7. To stimulate investment and production in new risky capital intensive industries of great national importance where reasonable profit is unlikely immediately, incentives may be used. These may take the form of a modified tax holiday, complete tax exemption for a period say three years and permission to use tax-free investment reserves. Companies should be allowed to deposit with the Government 30 percent of their pretax profits and these should not be liable to company taxation.

8. Small industry is given the special incentives of price preference in Government purchases, concessional interest rate, lower duties, etc. The major benefits the units get are, however, from reservation of the market and the Central and State facilities extended to them. In

view of their important role in the economy, they are entitled to favoured treatment. A concessional interest on loans to them should, however, be ruled out. Though it may help them against the large-scale units, it may lead to their adoption of more capital-intensive techniques. In protecting them great care should be exercised in selection, in nursing them through the period of protection, and ensuring that the protection comes to an end soon. A more promising approach to helping the small-scale industry may be through planning of ancillary industries round large-scale units based on a careful study of forward and backward linkages. A Joint Committee of small and large industry organisations should be set up to indicate the possible areas for ancillary industries connected with parent industry.

9. It may be possible to some extent to shift demand from capital-intensive commodities to labour-intensive commodities especially in case of capital-intensives luxury items. The contemplated programmes in the Approach Paper through their changed emphasis on the poverty problem should ensure this automatically but it may be possible to make a further dent on the problem by shifting consumption in favour of labour-intensive commodities.

10. Area planning is likely to prove the most important approach to the problem of employment and development. Industries whose establishment can lead to the development of an area should be given the needed encouragement to counter their situational handicaps. In view of the various growth prerequisites, both the area and the industry need very careful selection.

11. Substantial incentives have already been given to some backward areas through Central capital grants, refund of sales tax, concessional interest rate, etc. But their effects are largely lost through lack of co-ordination and their widely scattered nature. They should be made more purposeful, uniform, and concentrated to limited areas with identified growth potential and combined with technical and other facilities. For the purpose of locating such areas, identifying nuclei industries, and doing promotional work the establishment of one or more Regional Development Corporations in each State is recommended. The fiscal incentives to new undertakings in backward areas should be in the form of a 20% capital grant and permission to use investment-free reserves. All other incentives may be done away with.

ACKNOWLEDGEMENT

We would like to place on record the able and ungrudging assistance that we received from Dr. V. Agnihotri who acted as the Secretary to this Working Group and of his capable team of workers. Special mention must be made of Shri P. K. Srinivasan, Senior Research Officer, who during the enforced leave of Dr. Agnihotri for some time

also discharged his duties in addition. Shri K. R. Gupta, Senior Investigator provided able assistance in the analysis and interpretation of data, Shri L. D. Vasishta, Miss Pramod Chhibber, Junior Investigators and Miss Vijay Lakshmi carefully met all the exacting demands of the Group for data and research material. The Group often met on holidays and after office hours. We are thankful to Shri D. V. Seth and Shri P. K. Bhatia who provided stenographic assistance to the Group throughout this period. We owe a great deal to their patience and hard work for being able to finish the report and submit it within good time.

Sd/-

D. T. LAKDAWALA

(*Chairman*)

Sd/-

T. S. SANKARAN

Member

Sd/-

P. D. OJHA

Member

Sd/-

M. YADAVA REDDY*

Member

Sd/-

D. H. PAI PANANDIKAR

Member

सत्यमेव जयते

Sd/-

G. S. BHALLA

Member

Sd/-

M. K. RAKSHIT

Member

Sd/-

Y. K. ALAGH

Member

Sd/-

M. N. GOSWAMI

Member

Sd/-

V. AGNIHOTRI

(*Secretary*)

---

*Subject to minute of dissent (pp. 87-101).

Minute of Dissent on Strategies of Development Plans—by Dr. Yadava Reddy

In this note I wish to state more clearly the alternative strategy known as the Heavy-Investment Strategy since I do not agree with the criticism levelled against this strategy in the main report of the Working Group. I would like to present my views on these criticisms and incidentally would like to show how this model is, as regards employment creation, different from the Mahalanobis model which forms the basis of our plans since the Second Five-Year Plan.

2. The long-term objective of Planning for economic development is taken in this strategy as the complete technological transformation of the economy from the presently used inferior and primitive techniques to the optimum techniques from among the most advanced technology which is capable of yielding the highest possible standard of living at full employment to the population which exists when this objective is achieved. Thus this would involve spreading the industrial revolution in the country as a whole. It can be seen from the above description of the objective that the standard of living achieved at the target date is at least 8 to 10 times higher than the present subsistence level and this also involves a longer perspective of 50 to 60 years. A constraint is placed in this model that the growth on the path to the objective should be non-inflationary. It is an essential element of the model, of which this strategy forms a part that investment allocation in any five year period should be governed by the guidelines which the long-term strategy sets forth. The short-run adjustments are thus governed by the long-run not *vice-versa.*

सत्यमेव जयते

3. For accomplishing the above industrial revolution the whole complex of heavy and basic industries at a high level in terms of per capita production has to be built. This can be achieved by adopting the Heavy Investment strategy which is considered to be the optimum strategy for a country like India with quite a large degree of non-employment. Thus if the whole process of industrial revolution has to be completed, the Heavy Strategy which gives the highest priority to heavy industry has to form the basis of our plans. In this model priority to Heavy Investment is measured in terms of the proportion of H-Sector's output that is used for its reproduction (i.e. the rate of plough-back of physical output) rather than in terms of the proportion of total investment that is allocated to the H-sector. The rate of growth of H-sector would be fastest when the whole of its output is used for its reproduction i.e. when the rate of plough-back is 100 per cent. This is the limiting case of the theoretical possibility under Heavy Strategy where consumer goods are supposed to be produced entirely through non-H-Using or H-conserving techniques. But in any real situation some H-output per unit of C-goods produced is required, howsoever little mechanised may be the equipment used in these techniques. Hence in the application of the model to a real situation, the condition of Heavy Strategy is that the rate of plough-back should be kept as high

as possible but in percentage terms not *less than the leakage to the equipment for consumption goods.* Growth in this model is subject to the constraint that the rate of growth of consumption goods through the most improved techniques is equal to the rate of growth of Heavy Investment Sector so that growth is non-inflationary. This strategy has been termed as the 'Heaviesque Strategy'.

4. The adoption of this strategy involves three essential conditions:—

(i) The rate of growth of H-sector should be kept at the highest possible level by ensuring a high rate of plough-back of physical products of this sector for its reproduction. This means that the diversion of H-sector's output to the production of essential consumption goods is kept at the minimum level subject to the constraint that the required amount of essential C-goods are produced to maintain the non-inflationary growth. Thus in the initial phase of development, the H-sector while generating demand for consumption necessaries through income and employment generation will contribute only a little of its output for the production of consumption necessaries and the manufacture of their equipment. This is made possible by the adoption of less mechanised H-substituting techniques for the production of consumption necessaries which contain very little of H-content when compared to the more mechanised techniques.

(ii) Following from the above, the second condition is that there exist in the economy the above-mentioned H-substituting techniques for production of consumption necessaries and huge amount of investments should be undertaken in sectors which use such techniques. This also means that investments in sectors which produce consumption necessaries through highly mechanised techniques are avoided since these techniques divert a high proportion of H-sector's output from its own reproduction. Investments in the former sector are kept at such a level *that they are able to produce all the consumption necessaries which are demanded by the persons employed in these sectors as well as those employed in the H-sector.* Thus the choice of techniques in the consumption necessaries sectors should be made on the basis of *the maximisation of surplus per unit of scarce capital i.e. one derived from the H-sector's output, and not on the basis of surplus per unit of capital in general or rate of profit on total capital.* The techniques chosen in consumption necessaries sectors should be such that at the subsistence wage they generate a higher rate of surplus of C-goods per unit of H-Sector's output, when compared to the more mechanised techniques which generate a lower rate of surplus per unit of H. The H-substituting, less-mechanised techniques incidentially are also quick yielding in nature and generate more employment per unit of capital invested. Thus, in order to avoid inflation, a particular ratio of investments in the consumption necessaries sectors using H-conserving techniques to the investment in H-sector has to be kept up so that the supply of consumption necessaries is equal to the demand for them. This ratio is called the equilibrium ratio or balanced allocation ratio since only this ratio maintains the balance of equilibrium between the demand for and the supply of consumer necessaries in the two sectors taken together. Thus by introducing the supply of consumption necessaries as an essential input into the technology matrix of the strategy and by allocating necessary investments (into C-sector) for the production of these goods to match the demand generated for them, this strategy explicitly introduces the wage goods constraint into the model. Hence, it is not correct to say that this model 'assumes away the wage fund constraint to the Heavy Industrialisation Investment Package'. Introduction of improved seed revolution with minor irrigation and the possibility of its extension to all agricultural holdings has created conditions for the empirical viability of the adequate surplus generating capacity of the H-conserving C-sector when based upon green and compost manuring supported by fertilizers.

(iii) The third condition which is also implied in the first is that in this strategy, the production of modern luxury consumer goods is completely avoided. The production of these goods invariably involves the use of highly mechanised techniques which use a higher content of the H-sector's output. The production of these goods diverts a substantial proportion of H-sector's output from its own reproduction and, by reducing the rate of ploughback of H-sector, brings down the rate of growth of the H-sector, since its rate of growth is intimately related to the rate of ploughback of its physical outputs. There are other reasons also for discouraging the production of modern luxury consumer goods. These mechanised techniques, as is well known, also generate less employment per unit of investment. In general also the production of luxury consumption goods caused disparities in living standards and violated the condition of equalitarian structure of growth.

5. Thus in this strategy the Heavy Investment complex grows at highest technologically possible rate and hence the time taken for achieving the long-term objective is minimised. This strategy also yields the highest rate of growth of aggregate consumption and of employment without decreasing the real consumption of the organised and unorganised workers in industry or agriculture. Thus it reconciled the conflict between economic growth and social justice. It takes care of the long-term growth through highest priority to Heavy Investment sector by ensuring a high rate of ploughback of its products for its own reproduction. For the present generation it provides more consumption goods and distributes them more equitably through a faster rate of

growth of employment both in Heavy Investment sector and in sectors producing consumption necessaries for those who have never been employed in these sector i.e. for those people who are living at a level below or just above subsistence. This strategy also removes consumption disparities between lower and upper income classes by not producing luxuries and the equipment for their manufacture. Since the H-substituting techniques in consumption necessaries sector are labour intensive and are miniature in scale, they are compatible with small holdings in agriculture and small units in manufacturing. Its industrial pattern is compatible with the dispersal of consumer-goods industries and the industries producing their equipment over the countryside and in backward regions of the country thus ensuring balanced and integrated regional development since this strategy uses the village and the small towns as the vehicle of expansion.

6. Hence the strategy of providing employment with improved H-conserving techniques of production of essential consumption goods and in building infrastructural facilities to those who are underemployed both in rural or urban areas or who are employed in subsistence sectors which use traditional or inferior techniques, can fit very well in the Heavy Investment Strategy. It is these techniques which need to be improved even further and concentrated attention of science and engineering laboratories is required to help in this process. In this strategy, employment is not created for its own sake but the employment created is productive in the form of producing the required consumption necessaries for the employed people or this employment produces the Heavy Investment and other infrastructural facilities as well as the improved H-conserving equipment which is used in the production of consumption necessaries. Thus a strategy of productive employment generation at a fast rate is compatible with and can form an integral part of only Heavy Investment Strategy and not with the one which is currently followed under our five year plans.

Strategy of Indian Plans:

7. As pointed our earlier the Heavy Investment strategy maximises the rate of growth of H-sector by keeping the rate of ploughback of H-output within that sector at a high rate. It has been found from the experience of the developed countries that the rate of ploughback of Heavy Investment in its own reproduction is even now substantial. The rates of ploughback of H-output within that sector in developed countries like USA, USSR, and Japan has been found to be ranging from 36-44 percent. For a developing countries like India it should ideally be about double of this i.e. around 70-80 per cent. This has to be achieved in the course of the next 15 years, and kept at that level till another 15 years in order to increase the output of H-Sector to the level required for complete transformation of the economy from the inferior techniques used at present to an economy using modern mechanised techniques with full employment.

8. The policy of priority for Heavy Industry has been proclaimed by the Indian Parliament, by the Government of India and by the Indian Five Year Plans since the beginning of the 2nd Five Year Plan. But it is customary now to judge this priority as is done in Professor Mahalanobis' two-sector model of growth only on the basis of larger proportion of total investment that is allocated to capital goods sector (K-sector). In this model allocation of 30% of total investment to capital goods sector is supposed to represent high priority to Heavy Industry. But since his model did not further distinguish within the K-sector those capital goods that can reproduce themselves (i.e. Heavy Investment Sector) and those that produce only consumption goods through mechanised techniques (i.e. Mechanised consumer equipment sector) priority to K-sector does not necessarily mean priority to H-sector. Again, the two-sector formulation of the model would show that there is necessarily a conflict between consumption and Heavy Investments whereas in the Heavy Investment strategy model there need not be any such conflict since consumption necessaries in this model are to be produced by less mechanised but superior H-substituting techniques.

9. The working group in its report feels that due to only implementational defects the objectives of creation of a core inter-related industries with a high rate of surplus generated and ploughed back within the sector itself have not been achieved. It is not merely the implementation defects but the model's failure to distinguish between Heavy Industry (capital goods that reproduce themselves) and the Mechanised consumer equipment that has led to the neglect of the former.

10. Priority to Heavy Investment sector can clearly be judged only on the basis of a high rate of ploughback of H-output within that sector. The rate of ploughback of H-output in India has been only around 18-22 percent since 1956 to the present. The result has been a lower rate of growth of H-sector's output of only 8-10 percent per annum where as it could grow at a technically possible maximum rate of about 50% per annum.

11. This has happened also because (even though the nation and the Parliament has proclaimed that priority should be given to Heavy Industry sector and although the plan documents make pronouncements on this) our plan programmes and the policy decisions for their implementation suggest that luxury consumption goods strategy is being followed by our economy. We have started producing a host of luxury and semi-luxury goods like cars, refrigerators, room-air-conditioners, fine and superfine cotton and silk-textiles, nylons, terylenes and the synthetic textiles, palatial office, residence, hotel and cinema construction, a host of luxury plastic goods, cosmetics and a whole lot of processed luxury foods, beverages and alcoholic drinks. These are goods which are consumed only by the richest 10 to 20 per cent of the population and the production of which also diverts a large proportion of H-sector's output from its own reproduction and reduces its rate of growth by reducing its rate of ploughback.

12. Even in the production of consumer necessaries like foodgrains, textiles and essential housing, considerable amount of H-sector's output is being used by encouraging the use of highly mechanised techniques like tractors, combine harvestors, semi-automatic and automatic looms, cement and steel. The use of these techniques apart from reducing the rate of growth of H-sector by reducing its rate of ploughback, aggravates the problem of unemployment by using less labour per unit of investment.

13. The implementation of such a strategy has resulted in large-scale diversion of H-sector's output for the production of luxuries and semi-luxuries as well as consumer necessaries through mechanised techniques resulting in 18-22 per cent ploughback ratio of H-sector and about 80% diversion to mechanised consumer equipment sector and has also reduced the rate of growth of H-sector to only 8 to 10 per cent and that of the economy to only 3 to 3.5% per annum.

14. Thus the strategy followed and implemented by the Plans has neither achieved the long-term growth objective by building heavy industry base to take care of future growth, nor the short-term interest of social justice in the form of raising the standard of living of the poorest population living below the national minimum by providing them employment with improved techniques. Growth of employment has also been severely restricted since the lower rate of growth of the economy achieved so far has been with the use of highly mechanised techniques both in luxuries as well as in consumption necessaries. As long as the same Luxury-Consumption goods strategy is continued to be followed, the same situation as has prevailed during the last 15 to 20 years will be perpetuated with the result that the poorest 40% of the rural population and 50% of the urban population continue to live below the national minimum consumption.

Strategy of Employment:

15. The employment strategy should be linked with and form part of the optimum strategy of development and should not be an isolated one. The employment creation plans and programmes, if not integrated with the over-all plan based on optimum strategy of development, will only accelerate inflation in the economy if they are undertaken on a vast scale and will neither contribute to future growth nor for growth in the present. Or they will not have any impact on reducing unemployment in the country if they are undertaken on a modest scale on consideration of providing employment to the most vocal sections of unemployed. The magnitude of the outlay envisaged in the Approach Paper to Fifth Plan on the employment creation programmes and programmes for the provision of basic minimum needs, will surely have an inflationary impact on the economy unless they are integrated with the programmes of production of consumer necessaries and the development programmes for the heavy industry. Their feasibility itself is doubtful unless they form an integral part of a plan which is based on the Heavy Investment Strategy of Development.

16. The implications of the above discussion of the optimum strategy of development and employment are that for solving the problem of unemployment, non-employment and under-employment prevalent on a large scale both in urban and rural areas in our economy the Luxury Consumption-goods strategy which is followed in our plans has to be replaced by the Heavy Investment strategy. Our Five Year Plans starting with the Fifth Plan have to be recast and the investment priorities both in terms of choice of goods and the choice of techniques for the production of these goods determined as per the requirements of the Heavy-Investment strategy.

17. This would involve firstly that heavy investment sector should be given higher priority than at present. This should be done not only in terms of allocating more investment to these sectors but in terms of raising its ploughback ratio. The proportion of the H-sector's physical output for its own reproduction (Rate of ploughback) which is at present only 18 to 22 per cent should be raised to 40 per cent during the Fifth Plan, to 55 per cent by the end of Sixth Plan and to 70 per cent by the end of Seventh Plan i.e. by 1989. This is expected to raise the rate of growth of H-sector from the present rate of 8 to 9 per cent to about 14 to 15 per cent per annum.

18. This is quite feasible, but only if (1), the diversion of H-sector's output to the mechanised means of production of consumption goods and manufacture of their equipment is substantially avoided. This requires turning to H-conserving forms of equipment for the production of essential consumption goods and (2) the luxury goods production has to be discourage strongly. The existing capacity in this field should be used for the purpose of export and the foreign exchange thus earned can be used for importing equipment and scarce raw materials for H-sector. Even subsidisation of export of these goods is beneficial to the extent that it earns foreign exchange for the nation whereas internal sales for domestic purposes are of zero value for the nation. Whenever exporting of these goods is not easible, they should be used for public and institutional consumption and not for individual consumption. Not only this, a policy decision has to be taken that the production of consumption necessaries should be undertaken through less mechanised H-conserving techniques, while the use of mechanised techniques like heavy tractors, combined harvestors in agriculture, semi-automatic and automatic looms in textile and cement and steel in low-cost housing schemes should be avoided or minimised as much as possible.

19. Secondly, the achievement of this high rate of growth of H-sector and the corresponding higher allocations of investment to that sector would be possible in a non-inflationary manner only if sufficiently larger allocations than at present are made to the production of consumer necessaries through less mechanised and H-conserving techniques. Only when these allocations are increased to bring the ratio

between these and the allocations to H-sector to the equilibrium or balanced allocation ratio as defined earlier, inflation can be avoided and growth can be non-inflationary. This ratio of investment of C goods and other in the current plans happens to be around 1:4 to 1:5. This ratio may have to be raised to about 2:4 if inflation has to be avoided in implementing the Heavy Investment Strategy. This would mean that allocations to agricultural sector for spreading improved practices, in medium and minor irrigation along with major irrigation has to be increased substantially. Investment in handlooms, power looms and in the production of khadi has to be stepped up along with investment in low-cost essential housing programmes with locally available materials. This would also involve increased outlays on rural work programmes in the form of road building in rural areas, soil conservation and testing programmes, improved seed multiplication programmes, dairy and animal husbandry, building of net work of marketing centres and in the programmes of rural electrification. These may also include other programmes for providing basic minimum needs of both rural and urban poor. This will also necessitate a change in the present educational policy involving vocationalisation of middle and high-school education which would provide the necessary semi-skilled manpower for the above programmes. As can be mean all the above programmes are very much labour intensive and will increase employment opportunities on a large scale for rural and urban underemployed and non-employed and for the skilled and semi-skilled manpower to be produced by the changed educational system.

20. The main criticism against this Heavy Investment Strategy as given in the report seems to be that the model has not established the empirical viability of the adequate surplus generating capacity of the H-conserving C-sector and thus it assumes away the wage-fund constraint to the Heavy industrialisation investment package. This criticism needs to be dealt with at some length. The model does not assume away the wage fund constraint. On the contrary it is only this model which explicity introduces the consumption goods into technology matrix in the form of wage inputs to the labourers engaged in the different sectors and stipulates as a condition for non-inflationary growth that necessary amount of investment is made in the consumption goods sector so that it produces the required amount of wage goods to balance the supply with the demand generated. In the solution to the model when allocation of resources or investments are made in the balanced ratio, the C-good sector using improved techniques and the Heavy industry sector grow at the same rate, there is balance between demand for and supply of consumer or wage goods not only at a point of time but also from period to period. The empirical viability of adequate surplus generating capacity of H-conserving C-sector has been to a large extent demonstrated by the improved seed revolution in agriculture and the possibility of its extension to all agricultural holdings can generate enough surplus of food. The viability of handloom has been proved in the past with some improvements in spinning, Khadi can also establish its viability. Similarly such techniques have to be identified

in other sectors as also the necessary innovations to be made in them once this strategy is adopted in principle or the identification and the adoption can proceed simultaneously. This would also mean that provision has to be made for research in our scientific and technological laboratories to invent and to improve such techniques.

21. This model is criticised in the report on the ground that differential incentives to labourers engaged in H-sector compared with C-sector are not provided within the model and the introduction of wage differentials would reduce the rate of surplus. Unless one works out the rate of surplus after introducing the differential wage one cannot definitely say whether the rate of surplus *ipso facto* would be reduced. In any case, in any model where the wage level of some people is higher than subsistence the surplus would be below the level where all wages are at subsistence. In this general proposition there is nothing whereby the Heavy-investment Strategy is to be singled out for condemnation.

22. The composition of output within the H-sector for the planning horizon of 50-60 years is specified on the basis of the present technological knowledge and the technological inter-sectoral consistency. As and when the technological horizon changes the strategy has to be reworked on the basis of the changed technological knowledge and that would give the new composition of H-sector's output. The same applies to the terminal conditions or composition of economy's output at the target date.

23. It is said that 'it may be neither necessary not desirable to perpetuate the technological dualistic nature of the economy into a fairly long term horizon'. It may be noticed that it is rather in the alternative which is the immediate introduction of the highly mechanised techniques in the consumption goods sector and the consumer luxuries (as has been the past 20 years experience) that we have succeeded in perpetuating the dualism where small advanced islands consisting of metropolitan cities and the large towns are surrounded by a poor masses of peasants and agricultural labourers in villages and non-employed or under-employed workers, petty traders, hawkers and slum dwallers in small and large towns and big cities for an indefinite period. The more integrated approach to development process as recommended by the Working Group would be successful only if the H-conserving techniques are employed in the integrated development sectors, otherwise this mechanised integrated development would again result in another type of dualism with tiny growth centres surrounded by poor masses of peasants, agricultural labourers and handicrafts men.

24. It is said that the model does not definitionally permit the C-sector to produce intermediate inputs for H-sector. This also is not true. If C-sector produces intermediate goods for the H-sector these inputs can be depicted in the input-output matric as input flows to the

H-sector and that part of the C-sector can be depicted as a section of the H-sector. The question of non-decomposability of the technology matrix does not arise.

25. The criticism against the model that it is a closed economy model can be easily countered by opening the model with the introduction of import and export sectors. But there again import sectors should mainly supply equipment and other scarce inputs into the H-sector which are not capable of being produced inside the country and other bottle-neck inputs into wage goods sector. It is not permitted in the model to import equipment and other inputs into luxury consumption goods sectors and highly mechanised equipment for the wage goods sectors. The model serves as an essential basis for a policy of self reliance and it is felt by us that without its implementation in earnest neither the policy of self-reliance not adequate employment generation will succeed.

Observations of The Working Group on Dr. Yadava Reddy's Note of Dissent

The Working Group has considered Dr. Yadava Reddy's note of dissent and wishes to make the following comments:

(1) Dr. Yadava Reddy has emphasised that the model advocated by Dr. Mathur and himself is fundamentally different from the Mahalanobis model. He feels that the Mahalanobis model fails to distinguish between capital goods that reproduce themselves (H sector) and those that produce only consumption goods through mechanised techniques. Therefore, Mahalanobis' priority of larger investment to capital goods sector permits a substantial leakage of machinery to consumption goods sector thus lowering the rate of growth of H sector. The Group is not convinced of this distinction. Capital goods in the Mahalanobis model are produced in Sector K. The output of this sector is allocated to sector K and to the remaining sector(s). The allocation of such capital goods to sector K (i.e. λ K) is, therefore, clearly the corresponding concept to the rate of plough-back of the H sector's output in the Mathur model. The solution of the model clearly makes λ K the crucial allocation ratio. As Bhagwati and Chakravarti have pointed out, "It is also clear that the asymptotic rate of growth of the system is given by λ B K where λ K is the crucial allocation ratio which indicates the proportion of capital goods output which is devoted to further production of capital goods".[1] Further more the Working Group feel that both the Mahalanobis and the Mathur models while rightly stressing the need for priority

---

[1] J. Bhagawati and S. Chakravarty, *Contributions to Indian Economic* Analysis — A Survey, Bombay, Lalvani, 1971, p. 9.

to capital goods sector, fail to take into consideration the various interdependencies and leakages in the economic system.

(2) Dr. Reddy has introduced a certain amount of leakage in the pure heavy industrial model for the development of consumption goods sector; the proportion of leakages introduced is not clear. It varies from a minimum of 20 per cent to a maximum of 50 per cent. No empirical work seems to underly these figures. The basic point to be noted is that machinery from the heavy sector is an essential pre-requisite for increasing productivity in the consumer goods sector. Dr. Reddy's model requires that the rate of growth of surplus in essential consumer goods must be equal to the rate of growth of employment (output) in the H sector. He would very much like this increased output of consumer goods to accrue without any use of H sector inputs. This is basically an empirical question. Whatsoever evidence exists, suggests that it is not at all possible to achieve a substantial rate of growth of consumption goods without considerable use of H sector inputs. The recent growth of agricultural output brought about by the green revolution has been described by Dr. Reddy as an example of the H Conserving technological revolution. In fact the modern technology in agriculture heavily depends on crucial inputs like major irrigation, tubewells, pumpsets, fertilizers, pesticides and electricity. Much as one would like to think of increasing consumer goods output per head without using more capital, this is generally not possible.

सत्यमेव जयते

(3) Dr. Reddy has conceded the point that to the extent workers in H sector are paid higher wages, the rate of growth of H sector would be reduced. Whether this is a criticism against one model or against all the models is not very relevant. This does not introduce a big leakage in Dr. Reddy's formulation.

(4) Dr. Reddy points out that the wage fund constraint is provided for in the form of a condition in his model. All models hold, subject to certain conditions. As such, "conditions" of a model are the "assumptions" of the model. Further, one cannot assume away essential problems by making them "conditions". Dr. Reddy will have to demonstrate that it is possible to increase the output of wage goods at the 'balanced' rate without using substantial H sector inputs. In an economy, where productivity per head in the wage good sector is very low, it would be miraculous indeed to get a rate of growth of 14 to 15 per cent without using techniques that employ more capital per head. In this context, it is certainly wrong to say that the viability of the handloom has been proved in the past and that some improvements in spinning

of Khadi can also establish its viability. Whatsoever, statistics exist, point out that Khadi continues to be a highly subsidised sector and instead of producing any surplus it is in fact depending on heavy grants for its existence. In agriculture, as suggested earlier, the green revolution has been made possible because of the use of capital intensive inputs like tube wells, fertilizers and electricity.

(5) Dr. Reddy has objected to the Working Groups observation that his model does not definitionally permit C sector to produce intermediate inputs for H sector. Dr. Reddy has given a very interesting suggestion to solve this problem. According to him "if C sector produces intermediate goods for the H sector these inputs can be depicted in the input-output matrix, as input flows to the H sector and that part of the C sector can be depicted as a section of the H sector". But an input-output co-efficient table which has two or more identical column vectors, has hardly any significance.

(6) Dr. Reddy has characterised Indian Planning as following a luxury consumption strategy. Whereas it is true that over the last 20 years luxury consumption has increased because of the increased demand of the new rich in the country, it is not correct to say that the entire emphasis in Indian Planning has been deliberately on luxury consumption goods. Nowhere in the plan documents or approach papers, is an explicit need for priority to luxury consumption indicated. As a matter of fact the opposite is true. It would be certainly very desirable to control luxury consumption. Nevertheless this is a problem basically of income distribution and the Working Group cannot go into its details within its present terms of reference.

(7) Dr. Reddy has suggested that corresponding to technical changes revising the long term objective of the economy in his model, the model itself may be reworked. Reworking of the model on the basis of technological change would create many problems. Since capital is not malleable in such models, the revised technological specifications would create the problem of obsolescence of machinery decided and installed in the earlier plans. This is essential point of the argument made that a very long term planning horizon can create many difficulties.

(8) The Working Group has attempted an integrated strategy of development, given the scarce resources in the economy. Dr. Reddy's model implies the perpetuation of technological dualism between the H sector and the C sector. The model specifically excludes all considerations of the externalities and scale effect. Further there is no discussion of the importance of the provision of wage goods and social consumption and its relationship with labour productivity.

Dr. Reddy presumes constant wage rates for a period of 50-60 years, and a big spurt of 8-10 times afterwards through a sudden transformation of the consumption goods sector through capital intensive techniques. It is very difficult to justify that for a long period of time, the fruits of new technology should be denied to raising productivity and standards of living.

Sd/—

D. T. LAKDAWALA
(*Chairman*)

Sd/—

T. S. SANKARAN
Member

Sd/—

P. D. OJHA
Member

Sd/—

M. N. GOSWAMI
Member

Sd/—

D. H. PAI PANANDIKAR
Member

Sd/—

G. S. BHALLA
Member

Sd/—

M. K. RAKSHIT
Member

Sd/—

Y. K. ALAGH
Member

Sd/—

V. AGNIHOTRI
Secretary

सत्यमेव जयते

ANNEXURE-I

List of Representatives from Financial Corporations and Banking institutions who had discussions with the working group.

1. Dr. V. V. Bhatt	Industrial Development Bank of India.
2. Shri H. T. Parekh	Industrial Credit and Investment Corporation of India.
3. Dr. B.N. Adarkar	Central Bank of India.
4. Shri V.D. Thakkar	Bank of Baroda.
5. Shri L.D. Thawani	Small Industries Investment Corporation of Maharashtra.
6. Shri R.K. Talwar	State Bank of India.
7. Shri S. S. Apte.	State Agro-Industries Corporation.
8. Shri Bedekar	Khadi & Village Industries Commission.
9. Shri Rao	State Finance Corporation of Maharashtra.

ANNEXURE-II

Administration of Incentives in Assam—A Case Study.

The Working Group on Financial and Fiscal Measures wanted the secretariat to undertake a study of the role and effectiveness of the various incentive measures—fiscal, financial and others—as well as other facilities offered by the State Government and Central Government for promoting and helping the industrial development in the State of Assam. A team of three officials from the Committee visited the State during 18th to 29th June 1972. The team visited Shillong, Gauhati, Dibrugarh and Tinsukhia. Shillong being the capital of the State, the team had a general and preliminary discussion with the officials of the Industries Department. Gauhati, Dibrugarh and Tinsukhia are the principal industrial centres of the State where the team visited certain selected industrial units. At Tinsukhia the team also had a discussion with the representatives of the All-India Manufacturers' Organisation. In all these discussions the team was accompanied by the officials of the Industries Department.

In order to evaluate the efficacy of the various measures it was considered necessary to collect data on capital employed, sources of funds, incentives, product-mix, labour force employed, quantum of wages paid, etc., over a period of time so that it would be easy to assess the reactions of the units to the various incentives and facilities offered by the Government from time to time. For this purpose a questionnaire was prepared and circulated to the industrial units visited by the team. A copy of the questionnaire is at Appendix I. The discussions the team had with the industrial units at Gauhati gave some insight into the attitude and thinking of the industrial units. On the basis of these and other material, the team had with it, another set of questionnaire was prepared for the use of the State Government and is at Appendix II.

As for the factual information regarding the type of incentives and facilities offered by the State Government the team was supplied with a copy of the Industrial Policy of the Government of Assam. The industrial policy statement enumerates a number of facilities like the provision of feasibility study/project reports at subsidised rates, provision of plots at concessional rates, allotment of sheds in industrial estates on rental or hire purchase basis, marketing facilities like 15 per cent price preference to the local small-scale and cottage industries products and 5 per cent to the large-scale units of Assam, concession of sales tax, supply of power at subsidised rates, provision of training facilities and a good communication system, etc.

It would, however, be worthwhile to mention at the outset that the team did not come across any industrial unit visited by it which availed of these benefits. It appears that the financial difficulty of the State is such that it may not be able to offer any of these facilities in actual practice. In fact many of the industrial units felt that it would provide them much relief if the State Government honours the bills outstanding against them for purchases made from these units. It is understood that bills worth crores of rupees have been pending for the last several months. As a result a substantial portion of the working capital of these units are blocked up and they find it difficult to go in for further accommodation from the financial institutions or banks.

Assam is endowed with rich natural resources and if properly exploited, there is scope for large-scale industrialisation. However, the State is one of the industrially backward states of the country. Judged from the point of view of infra-structure facilities like transport, network of roads; power and irrigation currently available in the State there is every justification to regard the

State as industrially backward. However, there are certain interesting features of the economy which are quite striking. The State has a high literacy rate and the per capita income at Rs. 550 in 1967-68 was marginally higher than the all-India average of Rs. 543. The occupational pattern shows a significantly low percentage, i.e., 4 per cent of agricultural labour as against the all-India figure of 17 per cent. This however, does not signify any modernisation in agriculture. Agriculture still relies on traditional methods. This situation produces seasonal shortages of labour. As against these striking features there are clear factors which have been responsible for the backwardness of the State. For example there is not any local industrial labour as such. Socio-economic factors with a strong family affinity inhibit the stability of the labour force which is essential for any industrial programme. Whatever technical or semi-technical labour that is available is mostly procured from outside the State. The State also does not possess any entrepreneur class as such. Whatever industrialisation that has taken place has been due to the initiative and enterprise of the people who have come from outside the State. Transport is another factor which reduces the profitability of any industrial venture. Until 1965, i.e., before the break up of Indo-Pak hostilities inland water transport provided a cheap mode of transport for carrying the goods to and fro. Since 1965 road transport came into prominence. Compared with inland water transport the economics of road transport is prohibitively high. Inland water transport used to cost 5 to 6 paise per Kg. while railway transport costs 10 to 12 paise per Kg. whereas road transport costs 15 to 16 paise a Kg. between Calcutta and Gauhati. Still industrialists prefer road transport to railway transport due to shortage of wagons, transhipment delays and pilferage during transit. It was emphasised that even the transport subsidy announced recently by the Centre involves complicated procedures and regulations and as such the new entrepreneurs have not been able to derive much benefit. Since 1965 even though road transport came to prominence the number of vehicles registered in the State is negligible due to heavy taxation prevailing in the State. A vehicle registered in Assam has not only to pay Motor Vehicle Tax but also tax under Passenger Goods and Traffic Act. Non-availability of raw materials is another factor which is responsible for the slow progress of industrialisation. The heavy transport cost makes the raw material still costlier especially when it has to come from outside the State. In such cases industrial units will have to pay not only the local sales tax but also the Central sales tax. In the adjoining States like West Bengal, Industrial units are given refund of local sales tax. Even though this provision exists in Assam, not much seems to have been done to reimburse the tax so collected from the industrial units as requested by them. Added to this the quantum of supply of certain controlled items like iron and steel, polythene granules, etc. are extremely meagre compared to the local requirements. Most of the units mentioned that there is acute shortages of raw materials and components that could only be purchased at higher prices in the open market and it becomes unprofitable for them to expand their production to fuller capacity. It is possible that low profit margin and high cost of raw materials might be responsible to some extent for high mortality rate among industrial units. We could collect data only regarding industrial units in Gauhati. Out of 246 units registered as on May, 1972, with the Directorate of Industries 42 units have been closed down due to various reasons.

Another handicap which inhibits the growth of industries in Assam is the non-availability of power at rates which are attractive to the growth of industries. At present power for domestic use attracts a tariff of 36 paise per unit while the rates for industrial and agricultural power vary between 12 and 16 paise per unit. These are the rates charged by the Assam State Electricity Board. However, there are certain private electricity suppliers who charge higher tariff for electricity supplied to industrial units. Wherever the rates are higher than the 16 paise per unit, State Government subsidises to the extent of the difference between 16 paise and the actual rate only in respect of industrial units which employ motors of 20 HP or less. In view of this at the prevailing power tariff there does not appear to be much scope for undertaking any electro-chemical or electro-metallurgical industry on a viable basis. Unless a deliberate policy of subsidising power tariffs is undertaken by the Government, not much of industrial development could be visualised.

Tax incentives are another instrument by which industrialisation in the State could be influenced considerably. However, taxation is a factor which is governed by budgetary considerations. State Government will also have to take into account its resources position. If the State Government resource mobilisation effort could be broad-based, some relief by way of taxation could still be offered to industries. For example neighbouring states are offering refund of sales tax thereby enabling the domestic producer to compete with products imported from neighbouring states. In order to make the Assam products more competitive the State Government should seriously consider the question of refunding sales tax paid by the producers.

The team also had the benefit of collecting evidence from representatives of the All-India Manufacturers' Organisation at Tinsukhia. The representatives generally voiced the views already expressed in earlier paragraphs. One additional field in which there was unanimity among the members of the organisation was in respect of State Government not utilising the funds offered by the Centre for industrial housing scheme. They maintained that the State Government has been consistently surrendering the subsidy offered by the Centre in regard to industrial housing.

सत्यमेव जयते

APPENDIX I

Data to be Collected from Industrial Units

QUESTIONNAIRE

A. (i) *Capital structure*
  - a. Fixed capital.
  - b. Working capital.

(ii) *Reserves*
  - a. Capital reserve.
  - b. Development rebate reserve.
  - c. Others.

(iii) *Provisions*
  - a. Taxation.
  - b. Other current.
  - c. Non-current.

(iv) *Borrowings*
  - a. Banks.
  - b. Financial institutions other than banks.
  - c. Government.
  - d. Others.

(v) *Other liabilities*

B. *Assets*

(i) *Gross fixed assets*
  - a. Land.
  - b. Buildings.
  - c. Plant and machinery.
  - d. Others less depreciation provision.
  - e. Net fixed assets.

(ii) *Inventories*
  - a. Raw materials and components.
  - b. Finished goods and work in progress.
  - c. Others.

(iii) *Loans and advances*

(iv) *Investments*
  - a. Government securities.
  - b. Shares and debentures.
  - c. Others.

सत्यमेव जयते

(v) *Other assets*
(vi) *Cash and bank balances*
(vii) *Gross profits*
(viii) *Less interest*
(ix) *Profits before tax*
(x) *Less tax provision*
(xi) *Profits distributed*
(xii) *Profits retained*

C. *Total Labour force of which*
  a. Regular labour.
  b. Contract labour.
  c. Casual labour.

D. *Type of labour*
  a. Skilled.
  b. Unskilled.
  c. Supervisory and managerial.

E. *Total wages paid—of which to*
  a. Regular labour.
  b. Contract labour.
  c Casual labour.
  d. By way of overtime payment.
  e. Remuneration paid to supervisory and managerial staff.

F. *Value added by manufacture*

G. *Types of incentives available*
  a. Central.
  b. States.

H. *Incentives availed of by the unit*
  a. Central.
  b. States.

I. *What additional incentives would be required?*

J. *What are the difficulties or problems faced in regard to:*
  a. Raising working capital.
  b. Securing raw materials.
  c. Procedural.
  d. Marketing.
  e. Labour relations.

APPENDIX II

Data to be Collected from the State Government

QUESTIONNAIRE

1. Has any scheme been formulated for the promotion of self-employed? if so, the details thereof.

2. Loans to small scale units offered by the State Government.

(i) What are the channels through which loans are advanced?

(ii) Capital structure of these institutions.

(iii) Terms and conditions of these loans; and the part played by the State Government.

3. What are the incentives/facilities offered by the State Government? Has any assessment been made of their utility? Is there any need for additional incentives? If so, the financial implications of these additional schemes.

4. Industrial Estates Programmes.

A. (i) Number of industrial estates sanctioned to-date and the stages of their implementation (functioning, under construction and the like).

(ii) Number of sheds constructed.

(iii) Under construction.

(iv) Units actually functioning—their production and employment.

B. Aggregate amount spent by the State Government on:

(i) Construction of estates.

(ii) Share capital contribution.

(iii) Loans to cooperative societies.

(iv) Loans to facility centres.

5. It is felt that as the investment climate in Assam as for that matter in any backward area is beset with many obstacles, that relaxation of constraints on larger business houses would promote industrialisation, and what are the views of State Government on these?

6. There seems to be a high rate of growth of population for the last two decades. Even after making allowance for inward migration from the rest of the country as well as for the illicit migration from erstwhile East Pakistan, the rate of growth of population appears to be on the high side. Does this mean that the family planning programmes have not made any dent on the rate of growth of population? Does this call for any incentives, financial or otherwise to popularise the programme? If so, the measures and their implications

7. Minor irrigation and rural electrification have not made much progress with the result the scope for double and multiple cropping is much reduced. What are the reasons for the slow progress in this regard?

8. It is felt that modernisation of plywood industry would secure a higher percentage yield of plywood from a given quantity of wood? Are there any practical difficulties in modernising this industry?

9. Since 1965 the inland water transport system as a means of transport has gone into background and road transport has come into prominence. However, registration of commercial vehicles from outside the State has increased substantially, whereas registration of vehicles within Assam has not increased. It is felt that the level of taxation obtaining in Assam discourages the registration of vehicles. What are the views of the State Government?

10. A home based transport fleet would not only increase the State income but also provide substantial employment.

11. The major population of Assam lives on the South Bank of Brahmaputra while its communications with the rest of the country lies on the northern Bank. Does not this work as a barrier for industrial growth?

12. The Government of India have finalised the transport subsidy scheme. Has any assessment been made of the benefit that would accrue to the State Government?

13. It appears from the power tariff prevailing in the State that no industrial project could be profitably established. Has this factor been taken into account while providing incentives to industries?

14. What are the impediments in larger exploitation of sillimanite resources of the State?

15. It is said that the tea industry suffers from heavy agricultural income taxation as compared to Tamil Nadu, West Bengal and Kerala. Further heavy transport cost and non-availability of power reduces the competitive capacity of the Assam tea industry. What are the views of the State Government?

16. It is said that establishment of jute mills in Assam would obviate the need for transporting jute to West Bengal for further processing and thereby reduce the transport cost to a substantial extent in jute.

ANNEXURE III

Existing Important Incentive Measures

An attempt is made in the following paragraphs to outline the various incentives offered by the Central and State Governments to promote rapid industrialization of the country. Section I deals with existing Central tax incentives. Section II deals with incentives in regard to export industries, and in Section III existing licensing procedures are set out. Section IV deals with incentives to small-scale industries. Section V outlines the incentives offered by the State Governments while Sections VI and VII outline concessional finance offered by the IDBI and ICICI respectively.

SECTION I

TAX INCENTIVES

1. *Tax Holiday.—*

New industrial undertakings and existing undertakings going in for substantial expansion are exempt from income tax on their profits upto 6 per cent per annum of the capital employed for five succeeding years commencing with the year in which the undertaking goes into production. The unabsorbed benefit of the tax holiday is allowed to be carried forward upto 8 years. However, in calculating the limit of 6% of the capital for purpose of tax exemption, debentures and long-term borrowing will be excluded.

Dividends paid out of the tax holiday profits are also exempt from income tax in the hands of share holders.

2. *Development Rebate.—*

A special deduction by way of development rebate over and above the depreciation allowance, at a specified percentage ranging from 15-40 per cent of the cost of new plant or machinery is allowed against profits. This rebate is, however, available only upto May 31, 1974.

3. *Export Markets Development Allowance.—*

There is provision for the grant of Export Markets Development Allowance in the form of a weighted deduction from income equal to one and one-third times the amount of expenditure incurred by a resident tax payer (other than a foreign company) on export promotion.

4. *Agricultural Development Allowance.—*

A tax incentive is available in the form a 'weighted deduction' from income equal to one and one-fifth times the amount of expenditure incurred by companies using farm products as raw material for their manufacturing and processing activities.

5. *Inter-Corporate Dividends.—*

A deduction of 60% of inter-corporate dividends received by a domestic company from another domestic company is exempt from tax. In the case of a foreign company, a deduction of 65% of the inter-corporate dividend received from a domestic company is allowed for tax purposes.

6. *Tax-free Dividends.—*

The first Rs. 3,000 of dividends income from Indian companies and income from specified investments in the hands of the individuals and Hindu Undivided Family is free of income tax.

7. *Wealth Tax Exemptions.—*

Individuals and Hindu Joint Families are exempt from wealth tax in respect of share holdings in Indian companies and other specified investments made in certain approved securities upto an overall limit of Rs. 1,50,000.

8. *Tax Credit Certificate.—*

Any company shifting its existing industrial undertaking from an urban area, with the prior approval of the Central Board of Revenue, is entitled to tax credit certificate to the extent of proportion of the tax on capital gains which the expenditure (incurred on shifting within three years of the approval by the Board) bears to the capital gains derived from the sale of land and buildings in the urban areas. Tax credits are free of tax.

9. *Deduction of Expenditure in Family Planning Promotion.*

Companies incurring expenditure for promoting family planning amongst their employees will be allowed deduction of such expenditure. Capital expenditure for the purpose will be allowed deduction spread over a period of five years.

10. *Exemption of Income from Provision of Technical know-how or services.—*

Indian companies and individual tax payers will be allowed a 40% deduction of income derived from providing technical know-how or services rendered to any person carrying on business in India, under an agreement by Government.

SPECIAL INCENTIVES FOR FOREIGN/NON-RESIDENT TAX PAYERS

11. *Concessional Tax on Royalty and Technical Service Fees.—*

Royalty income of foreign companies from Indian companies and technical services fees are taxed at a concessional rate of 50% if the agreements are approved by Government.

12. *Exemption from Sur-tax on Royalties etc.—*

Incomes received by non-resident companies (which have not made the prescribed arrangement for the declaration and payment of dividends within India) in the form of royalties, interests, dividends (from domestic companies) and technical service fees are exempt from surtax.

13. *Tax-free Interest on Loans.—*

The interest on moneys borrowed from specified foreign sources and brought to India in cash or kind is exempt from tax.

14. *Deduction of Educational Expenses.—*

Non-resident individual is allowed deductions from the computation of taxable income in respect of expenditure incurred on the full-time education of dependent children outside India upto a limit of Rs. 3,000.

15. *Exemption of leave Passage.—*

A non-resident employee is exempt from tax, subject to certain conditions, on passage money or value of free or concessional passage received by him, his wife and children proceedings to his home country on leave after retirement or termination of his service.

16. *Exemption for Foreign Employees.—*

The remuneration received by a non-resident employee from a foreign enterprise for services rendered in India during a temporary period of stay not exceeding 90 days in any year is exempt from tax subject to certain conditions.

17. *Exemption from tax on Export income.—*

A non-resident will be exempt from tax on income derived through or from operations which are confined to the purchase of goods in India for the purpose of export.

18. *Exemption on remittance to India.—*

Remittances to India out of foreign profits or out of capital are completely exempt from income tax in India.

SECTION II

EXPORT INCENTIVES

1. *Industrial Licensing.—*

Applications for industrial licensing and other clearance in respect of export-oriented industries will be given the highest priority by the Government.

(a) Apart from developing to the maximum possible extent the export potential of undertakings belonging to the small and middle sector and the small scale industrial units, the Government will consider the creation of additional capacities for generating export surplus.

(b) Industrial units belonging to larger industrial Houses and foreign companies who are normally expected to participate in the core and heavy investment sectors would be able to set up units or expand production in other sectors also provided they undertake specific export commitments. The export obligation in such cases will be 60 per cent or more of the new additional production which should be achieved within a period of three years.

(c) Units which do not belong to the small scale sector can also be considered for expansion or creation of new capacities in areas exclusively reserved for the small scale sector if they undertake to export a minimum of 75 per cent of the new or additional production within a maximum period of three years.

(d) In the case of exporting units with sustained and continuous export performance, the licensing of additional capacity in excess of their existing licensed capacity to the extent of their export, exports will be favourably considered.

2. *Foreign Collaboration.—*

Foreign collaboration will be more freely permitted in the case of primarily export-oriented units. The export restrictions, if any, in the existing collaboration agreements will be suitably revised when they become due for renewal. Foreign collaboration will also be considered in low priority sectors and in trading activities if a greater part of the production is for exports.

3. *Preferential consideration in the grant of facilities to export-oriented units.—*

With a view to enlarging the number of exporting units, the Government have announced a scheme to assist all competent firms to expand and to become competitive OVER A PERIOD OF time. Existing industrial units with substantial export performance and new units keen to enter the export market or which are now exporting insufficiently will be encouraged to put forward phased programmes of export of their products and they will be eligible for preferential considerations in the grant of the following facilities:—

(i) Exclusion from the licensed capacity, of the capacity used in exports, while invoking penal provisions of the Industrial Development & Regulation Act.

(ii) Expansion of capacity of these units, consistent with their export performance and in accordance with the policies and procedures governing industrial licensing and licensing of imports of capital goods, spares and maintenance raw materials, except where there are strong countervailing reasons to over-ride the imperative consideration to maximise exports.

(iii) Finance and any other facilities which may be needed for expanding the production base and for product development.

(iv) Technical and managerial assistance for upgrading of quality, marketing and reduction in cost under the various technical assistance programmes of the Government.

(v) Licensing of current requirements of maintenance imports of raw materails, components and consumable stores from preferred sources of supply, even if the units do not fall within the priority sector.

4. *Development rebate at higher rates to selected export-oriented industries.*

Some selected export-oriented industries namely, those manufacturing vegetable oils and oilcakes by the solvent extraction process, processed fish and fish products, and processed concentrates for cattle and poultry feeds, have been included in the list of 'priority industries' eligible for a higher rate of development rebate on the cost of new machinery or plant.

5. *Drawback of customs and excise duties and relief from local taxes.—*

Arrangements exist for the non-levy or refund of central excise duties and import duties on materials and components used in the products exported. The State also give relief from the incidence of local taxation by exempting goods exported from the indirect taxes on final sales.

6. *Compensatory support to selected export products.—*

To meet competition in foreign markets, to develop marketing competence and to neutralise disadvantages inherent in the present stage of development of the economy, compensatory support ranging from 3 per cent to 25 per cent of the f.o.b. export value is provided to the exporters on the exports of selected non-traditional products, such as iron and steel scrap, rails, engineering and chemical goods and allied products including plastic goods, paper products, sports goods, processed foods, etc.

7. *Import replenishment scheme.—*

This scheme guarantees imports of indigenously non-available raw materials for export production from the cheapest and best global sources of supply. The extent of replenishment ranges from 2% to 90% of the f.o.b. export value. The exports covered under this scheme are engineering goods, chemicals and allied products, plastic goods, leather and leather goods, handicrafts, sports goods, woollen carpets, woollen textiles, cotton textiles, silk fabrics, readymade garments, tobacco and tobacco products, coir products, processed foods, cashew kernels, gem and jewellery and cinematographic films.

8. *Credit facilities for exporters.—*

The Export Credit Guarantee Corporation provides guarantees so that credit may be obtained by the exporters both at the preshipment and postshipment stages; financing facilities are also available. Further, a scheme has been introduced by the E. C. G. C. for giving performance guarantees to the overseas buyers of Indian goods, and quality control and preshipment inspection are provided under the Export (Quality Control and Inspection) Act, 1963. Preshipment and postshipment credits are available to the exporters at the concessional rate of interest of 6%. The guarantees extended by the E. C. G. C. and Reserve Bank of India Scheme of subsidy (at 1-1/2% to the lending banks) ensure greater flow of credit to exporters from the banks. The E. C. G. C. also offers insurance cover to Indian exporters against specified risks which may prevent the payment for their exports.

9. *Railway freight concessions.*

Railway freight rate concessions ranging from 25 per cent to 50 per cent of freight are allowed for a number of semi-finished and finished goods which mainly belong to the category of non-traditionl exports.

10. *Priority in allotment of scarce raw material.*

Scarce indigenous raw materials required for export products are made available on a priority supply basis.

11. *Adjustments in rates of export duties.*

Besides giving fiscal incentives through direct and indirect taxes and providing credit and other facilities, suitable adjustments are made from time to time in the rates of export duties in order to improve the competitiveness of Indian exports in world markets. For example, export duties on tea were completely removed through the Budget for 1970-71 and those on jute were substantially reducd.

12. *Facilities for import of machinery etc.—*

Registered exporters will be permitted to use their import replenishment licences for the import of machinery required for replacement, balancing or modernisation or research and development for an amount not exceeding 50 per cent of the value of import licences or Rs. 2 lakhs whichever is less. This facility should not be availed of more than twice in any financial year. A manufacturer/producer can apply for the import of machinery required for the manufacture of any product which is exported. A higher import replenishment may be allowed to an exporter to enable him to import essential raw material or components on the ground that the quality or quantity of the indigenous substitute is not adequate or its price is too high to make his export product competitive.

A special allocation of foreign exchange has been made to enable export-oriented units to import capital goods, equipments, dies, jigs and tools required for their expansion, modernisation, diversification of production as well as for research and development with a view to developing their export potential. The procedure for the issue of import licences for capital goods subject to export obligations has been simplified.

13. *Preferred sources of supply.*

Industrial units in priority sectors exporting 10 per cent or more of their production will be given preferential treatment which will include facilities for further expansion of the export production, improvement of installed production capacity and import of raw materials and components from preferred sources of supply. If the units export 25 per cent or more of their production they will be eligible to import a higher quantum of their requirements against free foreign exchange. Industrial units outside the priority list exporting 10 per cent or more of their production will be eligible for priority industry treatment.

14. *Setting up of specialised Institutions.*

Specialised institutions have been constituted with a view to assisting exporters in various aspects of their export activity. Some of these institutions are Export Promotion Councils, Commodity Boards, Export Inspection Council, Indian Institute of Foreign Trade, Indian Institute of Packaging, Indian Council of Trade Fairs and Exhibitions, etc. The latest to be added, about a year and a half back, is the establishment of Trade Development Authority which will render personalised package of services to exporters in the field of trade information, research and analysis, merchandising and establishment of export-oriented industries in the country.

SECTION III

LICENSING POLICY

A major instrument devised for the purpose of achieving planned and regulated industrial development of the country is the system of licensing. Industrial licensing operates within the framework of a statute namely the Industries (Development and Regulation) Act, 1951. Over the years Government has as a part of its overall planning used industrial licensing as an allocative mechanism to channelise scarce resources (whether in terms of internal or foreign exchange resources or raw materials or other inputs) into the most essential fields. The important constraint of foreign exchange was also a factor which rendered licensing necessary. The main features of the modified licensing policy are as follows :—

1. Government has drawn up a list of 'core' industries consisting of certain basic, critical and strategic industries in respect of which detailed industrial plans are prepared and essential inputs provided on a priority basis.

2. In addition to the 'core' sector, all new investment propositions of over Rs. 5 crores shall be deemed to be in the heavy 'investment sector'.

3. The existing policy of reservation of industries for the small-scale sector is being continued and the area of such reservations has been extended to cover 73 new industries making a total of 128 industries for the small-scale sector.

4. In respect of agro-industries particularly undertakings processing sugarcane, jute and other agricultural commodities, preference is being given in licensing to applications from the co-operative sector.

5. The exemption limit from licensing provisions including licensing of new undertakings and substantial expansion of existing units has been raised from Rs. 25 lakhs to Rs. 1 crore (by way of fixed assets in land, buildings and machinery) and it provides that: (a) they do not belong to the large industrial houses, (b) they are not a foreign company or a branch or subsidiary of foreign company, and (c) they do not require more than Rs. 10 lakhs or more than 10 per cent by way of foreign exchange except marginally for the import of raw-materials and components.

6. All registered or licensed industrial undertakings having fixed assets not exceeding Rs. 5 crores would be exempted from industrial licensing if they effect substantial expansion involving a total further investment of Rs. 1 crore whether in one state or in more than one state provided that the value of fixed assets after substantial expansion does not exceed Rs. 5 crores and certain other conditions enumerated in (5) above are also fulfilled.

7. The core and the heavy investment sectors of industry are subject to industrial licensing and the larger industrial houses and foreign concerns together with other applicants would be expected to participate in and contribute to the establishment of industries in those sectors leaving the opportunities in the remaining sectors primarily to the other classes of entrepreneurs. In the middle sector involving investments ranging from Rs. 1 crore to Rs. 5 crores, licence applications of parties other than undertakings belonging to larger industrial houses are being issued liberally except where foreign exchange implications necessitate careful scrutiny.

8. With the exemption limit for licensing having been raised to Rs. 1 crore and in view of other policy objectives sought to be achieved the earlier exemptions of a number of industries from licensing requirements have since been withdrawn.

9. The policy of diversification by way of manufacture of new articles upto 25 per cent of the licensed or registered capacity without licences is being continued though in future larger industrial houses and foreign concerns will require a licence before further diversification is effected. Diversification for import of machinery and equipment and they also do not require foreign exchange without a licence in the cases of others can only take place if no foreign exchange is involved and if the production is in allied lines of manufacture. Besides, undertakings with fixed assets of Rs. 5 crores will also have to obtain a licence for diversification.

10. The facility of expansion of production upto 25 per cent in the line of manufacture for which an undertaking is licensed has been continued subject to the conditions as in the past (i.e., no additional plant or machinery is installed except minor balancing equipment procured indigenously and no additional expenditure of foreign exchange is involved and the extra production does not require any additional demand for scarce requirements).

11. Capacity considerations will no longer be rigidly applied. In the past certain items used to be put in the banned list for licensing on the ground that adequate capacity has been licensed. This banned list has now been given up.

12. Though the larger industrial houses and foreign concerns are ordinarily expected to participate in the core and heavy investment sector applications for expansion from them in the middle sector would be considered, and efficiency or if the units are to be established in industrially backward areas. The larger industrial houses and foreign companies would also be licensed in the middle sector if a substantial export commitment of 60 per cent or more of the new or additional production is undertaken. The export obligation will have to be achieved in a period of three years. A similar safeguard of a high export obligation (a minimum of 75 per cent) has been provided in the case of industries reserved for the small-scale sector. It will, however, be ensured that the proportion allowed for indigenous supply is not so large as to swamp small-scale units.

13. Such of the industrial undertakings as are exempted from the licensing provisions of the Act would, however, have to get themselves registered with the D. G. T. D. or any another concerned technical authority. The registration procedure has been greatly simplified and in the future the process of registration would be mainly for statistical purposes.

14. In considering and dealing with applications for industrial licences care is being taken for the creation of capacities in such a manner that export supplies are generated. Export potential of undertakings belonging to small and middle sector entrepreneurs will be developed to the maximum possible extent. Special attention will be paid to the development of export production of small-scale sector units in respect of items specifically reserved for them.

SECTION IV

INCENTIVES OFFERED TO SMALL-SCALE INDUSTRIES

The development of small-scale industries is given special emphasis in all our plans not only as a means of reducing concentration of wealth but also as a means of providing employment on a large scale. In order to achieve these objectives certain facilities and incentives have been offered by the Government from time to time. Such facilities as are available now are indicated in the following paragraphs:

1. *Loan facilities extended by State Governments:*

Loans are granted to small-scale industries liberally on concessional rates of interest on long-term basis by the State Governments and under the State Aid to Industries Act/Rules by acquiring fixed assests like land, building and machinery. The terms and conditions for grant of these loans as well procedures vary from state to state. Normally loans upto Rs. 1,000 are advanced on personal bonds and upto Rs. 5,000 against two personal sureties. Loans above Rs. 5,000 are granted on 75 per cent of the security offered including the assets created out of the loan. The loans are generally repayable in easy instalments spread over ten years. The rate of interest chargeable on these loans varies from state to state between 2½ per cent to 7 per cent. A few State Governments offer an interest rebate ranging between two to three per cent for prompt payment. With a view to institutionalising the flow of credit to small industries some State Governments have entered into agency arrangements with State Financial Corporations for disbursement of these loans. Such arrangements exist in Andhra Pradesh, Gujarat, Haryana, Maharashtra, Orissa, Punjab, Rajasthan and U.P.

2. *Credit from State Financial Corporations:*

Almost all the states have set up State Financial Corporations and they advance 'term' loans to small-scale entrepreneurs for setting up a new unit, for renovation, modernisation and expansion of the existing units. Loans from these corporations are repayable in convenient instalments spreading over 10 to 12 years and in exceptional cases even over 20 years. Loans are granted upto a maximum limit of Rs. 10 lakhs against collateral security with a margin of 25 per cent to 50 per cent. The rates of interest vary from state to state and range between 7 per cent and 9½ per cent with a rebate from prompt payment ranging between ½ per cent and 1 per cent.

3. *Assistance rendered by State Bank of India:*

The main thrust of the bank assistance is towards meeting the working capital requirements of the small-scale sector. Short-term loans are granted against pledge of raw-materials and processed goods either on lock and key basis or on factory type of accommodation. Wherever feasible, the banks also consider the applications for clean type of accommodation without any collateral security. The rate of interest charged on these loans varies with the type of accommodation between 7-1/4 per cent to 8½ per cent.

State Bank of India also offers medium-term loans for acquiring physical assets for purposes of renovation and expansion of the existing units. These loans are granted for a period of 7 to 10 years and are repayable either in monthly, quarterly, half-yearly or yearly instalments. The rate of interest varies from time to time and is linked up with the bank advance rate. The existing assets, if any, and those proposed to be acquired with the proceeds of the loans are generally considered for security and the margins retained vary between 33-1/4 per cent and 50 per cent. State Bank of India also has an Instalment Scheme to enable the small entrepreneurs to purchase machinery and equipment. In this case the loanee is required to make down payment of 20 per cent to 33½ per cent of the cost of equipment while the rest is advanced out of the loan. These loans are repayable over a period not exceeding 5 years and in suitable easy instalments. The rate of interest is 9 per cent and the margins retained vary between 20 per cent and 33½ per cent. Hypothecation of machinery and equipment proposed to be acquired under law is considered as adequate security.

4. *National Small Industries Corporation :*

The National Small Industries Corporation is operating a Hire Purchase Scheme under which indigenous and imported machines are supplied to small entrepreneurs on hire purchase basis on attractive terms and on low rate of interest. Under this Scheme the small scale entrepreneur, who is accepted as a hire purchase client is required to pay 20 per cent of the value of the machinery as earnest money. The balance of the amount is payable along with interest and administrative charges in 5 to 7 years' time in half-yearly instalments. The first instalment is payable after one year from the date of delivery of the machine. The rate of interest charged is 7 per cent per annum while the administrative charges work out to 6 per cent on the gross value of the machine and is recovered in equal instalments.

5. *I.C.I.C.I. Scheme :*

The Industrial Credit and Investment Corporation of India is operating a scheme under which foreign currency loans of small magnitude are provided to small industrial concerns for the import of capital equipment. Normally, the loans range between Rs. 1 lakh and 5 lakhs. The repayment is spread over 7 years including a grace period of about two years. The rate of interest is 8½ per cent per annum and is payable half-yearly.

6. *S.S.I.D.O. Training Facility :*

To enable the small entrepreneur to have some training in management as well as on technical aspects SSIDO has introduced Industrial Extension Service through the various Small Scale Service Institutes and Extension Centres. In each Small-Scale Service Institute there are specialists in the various technical trades in which small-scale units in the State are generally engaged. In addition to this, small-scale service institutes also maintain a fleet of mobile vans which go round the rural areas where there is concentration of a particular class of artisans. The vans are equipped for demonstrations on use of modern machinery and techniques and for training local artisans in various operations.

7. *Market Survey and Research :*

To meet the requirements of market intelligence and information on prices, sales, distribution channels, incentives etc. the SSIDO has introduced a programme specially to meet these requirements under which specified surveys are conducted for :

(i) finding extended distribution outlets,

(ii) enlisting the market,

(iii) offering the suggestions according to the problems raised.

The service is rendered on a nominal charge.

8. *Marketing Products :*

Various State Small Industries Corporations have programmes to market the products of small industrialists either through their own sales arrangements like sales depots and roving sales-men or through agency arrangements on a commission basis. The office of the Development Commissioner Small-Scale

Industries. Small Industries Service Institute in the States, Export Promotion Council, State Trading Corporations and State Export Promotion Corporations periodically prepare and maintain a list of products with export prospects and also of the export markets. They also collect and disseminate information on the export procedures, overseas trade regulations, overseas standards, export prices and financial and currency regulations applicable in the principal export markets to facilitate the prospective exporter.

9. *Assistance Available for Production for Export :*

If a small manufacturer exports at least 25 per cent of his total production, he is entitled to have full requirements of his imported raw-materials in free foreign exchange. He can now have an initial import licence for raw-materials and components upto a value of Rs. 75,000. He is further exempted from certain procedural formalities in applying for import licence.

10. *Designing cell in the S.I.S.I., Okhla :*

The designing Cell is manned by experts in different branches of products designing mainly electrical appliances, utensils, furniture and other utility articles. These experts assist present and prospective small exporters right from the stage of preparation of blue print to the manufacture of th product.

11. *Electrical measuring Instrument Design Centre, Bombay :*

This centre was recently established under aid from the United Nations. It assists and guides a small manufacturer intending to produce and export certain varieties of electrical measuring instruments.

12. *U.N. Tool Room Centre :*

This centre was also established under U.N. patronage and it provides distinct facilities for prospective small exporters for the improvement of manufacturing processes as well as for producing quality goods for export markets.

सत्यमेव जयते

13. *Finance for Export :*

The Industrial Development Bank has introduced a scheme for direct financial assistance to exporters. The Bank enters into participation arrangements with approved commercial banks for providing 'term' finance and guarantee facilities to industrial concerns exporting capital and engineering goods and services on deferred credit basis.

14. *Export/Finance under E.A.S.I. Scheme of The S.T.C. :*

This scheme provides for pre-shipment financial assistance to the small-scale units who have received a confirmed export order but find it difficult to execute the same for want of finance. A small entrepreneur can have a loan under this scheme for a period of six months for purchase of raw-materials and to meet other expenditures like packing etc. Depending upon the import of the goods and his requirements he can obtain a loan to the maximum extent of 90 per cent of the value of the product.

15. *State Bank of India and Commercial Banks :*

A small manufacturer can approach the State Bank or other commercial banks for financing his production for export. These agencies provide facilities for export-oriented units. Such a unit can establish letters of credit at concessional margins for import of raw-materials or machinery and avail of packing credit advances for manufacture and export of finished products at concessional interest rate namely 6 per cent and on easy terms, post-shipment finance by negotiating bills offered under letters of credit or otherwise.

16. *Export Credit Guarantee Corporation :*

The E.C.G.C. extends export credit insurance to the Indian exporters and furnishes export credit guarantees to banks financing credit for export transactions.

SECTION V

INCENTIVES OFFERED BY THE STATE GOVERNMENTS

The following facilities/incentives are available for the promotion and development of industries both large and small in different States and Union Territories.

1. *Land & Building :*

Suitable lands in different parts of the States and Union Territories are acquired and developed by the Industries Departments with facilities of water, power, road etc., for allotment to the prospective entrepreneurs or existing units for shifting to new sites wherever possible. More land will also be acquired to establish Industrial Development Areas at some places by the States and Union Territories.

Such lands will be allotted to the parties or entrepreneurs on (i) long term basis (ii) out right sale (iii) hire purchase instalments basis with certain conditions, which differ from State to State. The lands are given at a nominal rate i.e. full cost of acquisition plus the development cost or at a subsidised rate or the premium price on no profit no loss basis of land is charged with some specific conditions. Many of the Governments assist the entrepreneurs in getting the private land to the interested entrepreneurs by direct negotiation, where direct negotiation does not bear fruit, the Government acquired land for them, provided that the entrepreneurs are willing to bear the actual cost of acquisition. In various states, industries are exempted from payment of non-agricultural assessment on the land allotted to or taken up by the entrepreneurs. Building materials such as cement, iron and steel etc., are given on loan to industrialists. In many of the State Governments, building materials are made available to industries either on a no profit no loss basis or at reduced rates against cash payments.

2. *Industrial Estates :*

Industrial Estates have been/are being set up at important places in various States and Union Territories and factory sheds with facilities of raw materials, water supply, electricity, transport, bank, post office etc., are built up. These sheds are made available to industrialists on different base terms or on hire purchase basis. At many places subsidised rent is charged for the plots with or without facilities enunciated above which are sold in industrial estates. Provision also exist for construction of "Assistant Industrial Estates" by private agencies/co-operative societies etc. Suitable land can be acquired for the purpose.

In Mysore State, the price for the land offered by the Mysore Industrial Area Development Board is recovered as 20% down payment and balance amount due recoverable in annual instalments. The price concession is available for a period of 5 years to only new industrial concerns.

3. *Industrial Housing :*

To provide housing for labour, entrepreneurs are assisted in getting loans from their Governments. This loan facility is provided in many of the State Governments e.g. Assam, Bihar, Gujarat, Haryana, M.P., Maharashtra & West Bengal etc. Many of these State Governments provide land on subsidy or at low rate basis to the industries for constructing houses for their labour. The State Housing Boards in many of these States have developed industrial housing colonies to provide houses for industrial workers at lower rent.

4. *Industrial Licences:*

Applications for industrial licences to the concerned authorities of the Government of India will be supported by the various State Governments e.g. A.P., Assam, Bihar, Maharashtra, Orissa etc. Many of these State Governments will give all reasonable assistance in securing licences as well as foreign exchange for setting up of the unit.

5. *Financial Assistance:*

Loans are given by almost all the States and Union Territories for setting up small, medium and large industries. Many of the States provide loans at low rate of interest to small industries and also stand guarantee for repayment of loan negotiated by large and medium scale industries from various financial institutions. Loans are granted to individual industrial undertakings and industrial co-operative societies for acquiring fixed assets as also for working capital. Many of the State Governments grant long term loans to all types of industries. Credit to small and medium industries is also made available in many States/Union Territories.

Participation in share capital:—The various State Governments participate in the share capital of private/public joint stock companies or industrial co-operative societies etc., for starting and developing industries in their States and such participation is based on merit and on certain specific conditions which differ, from State to State.

Formation of capital may also be helped in selective cases by purchasing debentures issued by the local industrial company or under-writing issue of share capital or debenture of such companies/co-operative societies/public limited concerns.

In many states loans upto a specified extent are exempted from the requirements of stamp duty only and registration fee in respect of mortgage bonds concessional rates of stamp duty are charged.

In Gujarat technicians assistance is also provided as under:—

(a) A package scheme of assistance to unemployed engineers/technicians.

(b) Loans to unemployed technicians/engineers for purchase of machinery and fixed assets without insisting on pro rata contribution from the entrepreneurs by the Gujarat Industrial Investment Corporation.

(c) Machinery on hire purchase basis by the Gujarat Small Industries Corporation to unemployed engineers/technicians.

In U.P. also, greater relaxation in conditions is available for technician-entrepreneurs. In J. & K., the State Government assist the entrepreneurs in securing machinery on hire purchase basis from N.S.I.C., as also financing from the Scheduled Banks. In Punjab, in case of electricity generating sets interest free loans are also advanced with some specific conditions. In Manipur and other Union Territories, grants for purchase of tools and equipment at reduced/concessional rates are also given under Rural Industries Project Scheme etc.

6. *Marketing Facilities/Price Purchase Preference:*

A Central purchase organisation on the line of D.G.S. & D. has been set up in many States and Union Territories for the purchase made by the Government and semi-Government, State Government autonomous bodies. This type of agency normally gives preference to the products of the local small scale and cottage units over those of large scale industries. The various State Governments have set up separate divisions to assist the small industries for selling their products to various government departments including D.G.S. & D., Railways, State Undertakings/Corporations/autonomous bodies etc. Additional price preference in many States is allowed to products of local small scale industries for a certain specific period. In many States price preferences are also allowed to (i) indigenous products over imported ones, (ii) local products and other Indian products (iii) Cottage Industries products over others, (iv) co-operative societies products over others etc. Arrangements have also been made for sale of cottage and small scale industries products through Sales Emporium located in different areas of the State. In order to encourage small scale industries various Governments have also reserved items to be purchased by all Departments of Governments in their States exclusively from Small Scale Industries Sector.

The purchasing organisations of the various State Governments and Union Territories collect industrial intelligence and the governments purchase statistics to enable the manufacturers to plan their production. The organisations assist the small-scale industries in maintaining liaison with Government and Semi-Government offices, Railways and D.G.S. & D.

7. *Tax Concessions :*

I Sales Tax.—The State Governments of A.P., Bihar, Haryana, J. & K., Maharashtra, Mysore, Orissa, Punjab, U.P., give a refund of sales tax in case of new and expanded industries on raw materials, machinery etc., levied by the respective State Governments for certain specified period and with certain conditions which differ from State to State. Many of these State Governments also refund sales tax on finished or semi-finished goods.

M.P.—A concessional rate of 1% *ad valorem* is being levied on all items of machinery, equipment and raw material purchased for industries during the Fourth Five Year Plan period. However, effective from September, 1967, the rate of tax on raw materials has been fixed at 2%.

Punjab.—Refund of 50% of tax on industrial raw materials and finished goods in respect of direct sales is being allowed only for those industries existing in focal points and near about. It has been decided to abolish property tax which was imposed through an amendment of the provisions from April, 1966 on industries whose premises were assessed at a rental value of more than Rs. 900 per annum. In case of new and expanded units at Amritsar, Batala and Ferozepur purchase and sales tax will be refunded to the extent of 50% for a period of five years.

Rajasthan.—The State Government has exempted all machines purchased for setting up textiles, ceramics, glass, cement, engineering, sugar and metal industries and industries based on minerals from payment of sales tax. Sales tax at 1% is levied on raw materials sold to industries within Rajasthan.

II Octroi Duty.—Building materials, plants, machinery, spares, raw materials, semi-finished goods etc., for the purpose of setting up of new industries, and expansion and renovation of existing industries, are exempted from payment of Octroi for certain specific period and with some conditions within the States of Gujarat, M.P., Maharashtra, Mysore, Orissa, Punjab, Rajasthan. In J. & K. Octroi Duty paid by registered small scale units in rural areas on import of raw materials and export of finished goods is underwritten to the extent of 5% for a period of five years from the date of commencement of production. In Punjab, refund of 50% of the Octroi paid by those industries existing in focal points and near about is allowed and in the case of new and expanded units at Amritsar, Batala and Ferozepur, Octroi and terminal tax will be refunded to the extent of 50% for a period of five years. Refund of toll tax paid by small scale units/industries of raw materials and export of finished goods is allowed in J. & K.

8. III. *Power Tariff :*

Power supply is subsidised in most of the states. However the rate of subsidy differs from state to state. In many states no electricity duty is charged for the small scale industries. In Bihar, in the case of electro chemicals and electro-metallurgical industries, power is supplied at no profit no loss basis. In Jammu division, a certain percentage of power is being earmarked for industrial units and self-generated power is exempted from the levy of electricity duty for a period of 5 years from the date of commissioning of the generating sets.

9. IV. *Water :*

The State Governments of A.P. and Maharashtra, exempt industries from the payment of water royalty whereas in Bihar and Orissa, water is supplied to industries on no profit no loss basis, and in M.P. Mysore, Rajasthan and Tamil Nadu, water is supplied to industries at nominal rates. In Mysore State where a new unit is being established in the Fourth Plan period, is allowed to make its own arrangements for pumping and supply of water and the State Government will levy no charge on the water consumed. In West Bengal, water supply from Government water works is provided at usual rates of Rs. 1.25 and Rs. 0.50 per 1,000 gallons in selected industrial areas like Durgapur and Kalyani respectively.

10. *Training and Technical Assistance :*

Technical training in almost all the States and Union Territories is imparted by Engineering Colleges, Polytechnics and Industrial Training Institutes. Technical assistance and training facilities are provided through the Industries Department and Small Industries Service Institutes. Training in various crafts is imparted by industrial training institutes in the States and Union Territories. During training period some percentage of training cost is given as stipend and the rest is borne by concerned employee.

The various governments are encouraging training in Business Management and administration exclusively for training industrial and commercial management cadres.

Free technical assistance is provided by the State Directorate of Industries and the Small Industries Service Institutes in States and Union Territories, to small scale industries in respect of selection of machinery, their installation, plant layout, improved technical process, use of modern machinery and equipment, preparation of designs and drawings as also preparation of model schemes. In many States the small-scale industrialists can sponsor their work for training in industries outside their States. Training in such cases is limited to those particular industries for which know how is not available in their States.

11. *Other Assistance or Facilities :*

(i) *Committee to ensure speedy assistance.*—The various State Governments and Union Territories have constituted one Committee each in their regions to ensure due speedy assistance to the entrepreneurs in obtaining the necessary facilities. All matters involving major policy decisions and important individual cases requiring inter-departmental co-ordination are placed before the Committee.

(ii) *Feasible study and Project Reports.*—The entrepreneurs are generally required to prepare feasibility study and project reports in respect of medium and large industries. Such reports are also sometimes necessary for small scale units. Hence the State Governments in collaboration with the Central Government and other organisations undertake such feasibility studies and make them available to small entrepreneurs at a nominal cost.

(iii) *Royalties and Raw Materials.*—In various governments for forest based and mineral based industries, the governments consider on merit the fixation of royalty on an economic basis considering the rate of royalty on such goods in their respective neighbouring states.

(iv) *Testing Facilities.*—The State Directorate of Industries, Rajasthan has set up a Chemical Laboratory at Jaipur for testing of pesticides, fertilisers, paints and pigments, oil, soaps and oil cakes, minerals and ores, chemicals, inks and water etc. The laboratory is also recognised by the I.S.I. for its I.S.I. certification marks schemes. Similar testing facilities are provided in other States and Union Territories.

(v) *Export Promotion.*—The various States Governments assist exporters of small scale industry products by registering them under the Export Scheme. Besides, assistance is provided for publicity of their goods in foreign markets, participation in exhibition, fairs etc. The State Governments also give priority to the exporters in issuing essentiality certificates for import of machinery and raw materials as also supply of indigenous raw materials.

(vi) *Transport.*—Many of the State Governments and Union Territories provide transport facilities for carrying the manufactured articles from one place to other.

In J. & K. the Government Transport undertakings offer a 50% reduction in the transport charges on a number of manufactured articles when transported from Kashmir Division to Jammu, Kathua and Pathankot or any points on this route for 6 months from 1st February to 31st July every year. A subsidy of 25% is also allowed to registered S.S.I. units, handloom, handicrafts and village industries on transport or raw materials from Pathankot, Kathua and Jammu when it becomes a rail head to a point within the State after proper verification of the utilisation of the raw materials.

(vii) *Road.*—The Industrial Departments of various states undertake to construct roads from the main high-way or nearest railway station or feeder roads to the factory side for the benefit of industries.

12. *Scope for Development:*

There is scope for development or expansion of the following industries in various States and Union Territories:

Engineering Industries.—Mechanical and Electrical, Chemical Industries, agro-based, livestock based, fish based, mineral based, marine chemicals, petro-chemical complex, cigarette, ceramic, chip board, commercial plywood etc., and other large medium and small scale industries.

CONCESSIONAL FINANCE BY THE INDUSTRIAL DEVELOPMENT BANK OF INDIA TO PROJECTS IN SPECIFIED BACKWARD AREAS

(i) *Rate of Interest.*—Two per cent above Bank Rate with a minimum of 7 per cent per annum (with a penalty of ½% for defaults against the present normal rate of 8% with a ½% penalty).

(ii) *Extension of initial moratorium in the repayment of loans.*—The IDBI will allow 5 years moratorium to the assisted concerns for the first repayment of principal amount of loans against the normal practice of 3 years.

(iii) *Longer amortisation period for loans.*—Against the normal repayment period of 10 to 15 years, projects from the backward areas would be allowed a longer period of 15 to 20 years.

(iv) *Participation in risk capital.*—Depending on the merits of the case, the IDBI may subscribe relatively heavily to the risk capital of projects in backward areas.

(v) *Reduction in the underwriting commission.*—The under-writing commission in respect of public issue of shares/debentures made by concerns in backward areas could be reduced by 50% i.e. it would be 1½/1-4% instead of 2½/1½% at present.

(vi) *Reduction in commitment Charge.*—At present, the IDBI charges a rate of 1 per cent per annum on account of commitment charge on amounts which remain undrawn by the assisted concerns. This charge may be reduced to ½% or waived altogether in exceptional cases for projects in the backward areas.

(vii) *Consultants charges.*—The IDBI may also bear the cost of consultancy services to prepare feasibility reports for the entrepreneurs initially, subject to reimbursement later when the project reaches the profitability stage.

(viii) *Other terms and conditions.*—The IDBI already follows a flexible attitude in respect of promoters contribution, marginal requirements etc. The IDBI may continue to adopt similar attitude in respect of projects from backward areas and relax these requirements depending on the merits of each case. The IDBI may also agree to suitable postponement of the interest payment in the initial years of the project.

INDUSTRIAL FINANCE CORPORATION OF INDIA, NEW DELHI

The Industrial Finance Corporation of India has decided to extend financial assistance on concessional terms to small and medium-sized industrial enterprises in backward States/areas. The facilities to be allowed, it is hoped, will help accelerate the pace of industrial development in such areas. The concessions to be extended are as follows:—

(i) *Rate of interest.*—As against the current rate of interest at 8½% (with a rebate of ½% for punctual payments of instalments of interest and principals) at lower rate of interest i.e. 7½% (with a rebate of ½%) will be charged.

(ii) *Initial grace period for commencement of repayment of loans.*—The Corporation's normal practice is to allow 3 years moratorium to an assisted concern for the first repayment of the principal amount of the loan. In the case of undertakings in backward areas, this period would be extended to five years from the date of the first disbursement of the loan.

(iii) *Amortisation period for loans.*—As against the normal period of 10 to 12 years for repayment of loan, this period would be extended to 15/20 years.

(iv) *Margin of Security.*—The present practice of the Corporation is to aim at a margin of 50%, this would be reduced to 30/35%. In other words, an equity debt ratio of 1:2 would be acceptable.

(v) *Promoters contribution.*—The Corporation would be prepared to accept a lower contribution from the promoters, to the cost of the project than its normal requirements.

(vi) *Participation in equity and preference capital.*—Depending on the merits of each case, the Corporation would be prepared to consider participation by way of underwriting or otherwise in the share capital of an industrial concern located in a backward area/State to a greater extent as compared to projects located elsewhere.

(vii) *Reduction in other charges.*—50% reduction will be made on the Corporation's normal charges in respect of underwriting commission, commitment charge, non-refundable examination fee for processing of applications and legal charges.

2. Projects in backward districts/areas which would receive grant/subsidy from the Central Government would also be eligible for IFC's concessions.

3. The concessions will normally be applicable to cases where the total project cost does not exceed Rs. 1.00 crores. Concessional finance for bigger projects would be considerd on a selective basis.

4. Financial assistance from the Corporation is available only to public limited companies incorporated in India or registered cooperative societies and as such, the above-mentioned concessional terms will be applicable only to such concerns which meet this requirement.

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA CONCESSIONAL TERMS FOR RUPEE ASSISTANCE TO COMPANIES IMPLEMENTING PROJECTS IN CERTAIN BACKWARD AREAS.

1. The rate of interest of rupee loans would be at 7% per annum instead of the current normal rate of 8½%. No contingent interest will be charged for private limited companies implementing project in backward regions.

2. In the case of underwriting of shares/debentures for projects in backward regions, underwriting commission would be charged at half the normal rate of 1¼% on shares and ¾% on debentures.

3. A commitment charge of 1/8% will be payable on the loan from the date of signing of the heads of agreement as against 1% normally charged at present.

4. A margin of 30% to 35% would be acceptable in the value of assets for securing the loan.

सत्यमेव जयते

5. The grace period allowed for starting of repayment of the loans would be five years as against two or three years normally allowed and the repayment of the loans would be spread over 15 to 20 years as against 10 to 12 years normally stipulated.

ANNEXURE IV

Financial Incentives to Industries in Maharashtra

—with special reference to their impact on employment—

In the State of Maharashtra, there are in operation a number of financial and other forms of incentives and assistance. Some of them are sponsored by the Central Government (such as 10 per cent outright grant or subsidy and concessional finance to new industrial units in selected backward districts). But, here, we will mainly be concerned with the schemes sponsored and operated by the State Government. Broadly speaking, these schemes have the following three objectives:

(i) to promote industrial development as such in the state;

(ii) to promote growth of small scale industries units; and

(iii) to promote development of industries in backward areas.

I. *Incentives: Schemes and Institutions*

As discussed above, even though employment generation is not specific objective of the incentives schemes, attempts to attain any other objectives would generally result in generation of additional employment. We have attempted below a brief outline of the various schemes in operation under three heads.

(i) *General Schemes.*—All the schemes would in effect contribute to the growth of industries in the State, but here we may include only such incentives and assistance, which are not specifically directed to the promotion of any type of industries or areas, but are general in application. The Maharashtra State Financial Corporation (MSFC) has combined in its scheme of loans all the three objectives: growth of industries as such, development of small scale industries and development of backward areas. Its financial assistance in terms of loans for fixed and working capital requirements are spread over all the districts of the state and around 45 per cent of total amount lent by 1970-71 consisted of Rs. 1 lakh and less each (at a concessional rate of interest and under agency-*cum*-guarantee arrangement with Maharashtra Government) and the rest of Rs. 1 lakh to Rs. 20 lakhs. There are, however, special provisions for small scale industries and backward areas which will be described under (ii) and (iii). So far as loans to larger industries in developed areas are concerned, the only incentive provided is a marginal concession in the rate of interest.

Besides, MSFC, Maharashtra Industrial Development Corporation (MIDC) and State Industrial and Investment Corporation of Maharashtra (SICOM) also provide financial and other requisite assistance for developing industries in the State. While the former mainly gives assistance of a long-term nature, SICOM provides short-term, medium and long-term loans, subscription to and participation in share capital, and other forms of financial assistance (besides administering the State Government's Package Scheme of Incentives to divert industries in backward areas to which we refer below under (iii). The corporation has, however, been focusing attention on underdeveloped areas. By 1970-71, the assistance disbursed aggregated to Rs. 140.91 million of which Rs. 58.19 million was in the developed areas in the form of short-term loans.

(ii) *Schemes for Small Scale Industries.*—It is, however, the assistance to small scale industries which seems to be the predominant objective of the various schemes of incentives. Besides, the various facilities like the provision of sheds and plots, loans, contribution to share capital to SSI units and facility centres to cooperative societies under the Industrial Estates programme, the Directorate of Industries. MSFC, SICOM and Maharashtra State Small Industries Development Corporation (MSSIDC) provide loans for working and fixed capital requirements (Directorate and MSFC) and share capital participation (SICOM & MSSIDC). The State Aid to Industries Act, 1960 provides for financial assistance to small scale industries which is disbursed through (a) Zila Parishads (upto Rs. 3,000/-), (b) Bank of Maharashtra and United Western Bank (Rs. 3,000 to Rs. 10,000) and MSFC (Rs. 10,000 to Rs. 1 lakh).

The assistance is given on concessional rates of interest, the schedule being as follows:

Amount	Rate of interest
(i) Upto Rs.10,000	5%
(ii) Rs. 10,000-25,000	6½%
(iii) Rw. 25,000-50,000	7½to 9 % (See (iii) below)
(iv) Exceeding Rs. 50,000	9%

The loans disbursed through Zila Parishads, being of small amounts would be mainly to artisans and households (cottage) industry units, operating on a family labour basis and, therefore, may prove more useful for enhancing incomes of the families and reducing under-employment rather than in creating additional whole time jobs to a significant extent. The scheme has been in operation since 1962 and the total amount disbursed by Zila Parishads till 1970-71 was to the tune of Rs. 155.58 lakhs. The loans are at 5% rate of interest, block loans repayable within a period of ten years in regular instalments. The districts which have received the largest amount were Sangli; Poona, Ahmednagar, Sholapur, Jalgaon, Osmanabad, Aurangabad and Nasik (each above Rs. 7 lakhs). Looking into the figures of allotments and drawings during 1962-1971, one gets the impression that the allotments are not made strictly on the basis of potential and requirements of the districts. The main basis seems to be a district's capacity to disburse money. In most of the cases the amount allotted has been fully drawn and, therefore, a claim for higher amount in the next year's allocation is ensured. In the absence of data, it is not possible to evaluate the impact of these loans on production and employment, but the basis approach itself does not seem sound enough to make much impact. Financial targetting without any prior planning on the real side tends to lead to indiscriminate and ineffective disbursement, besides leading to the problems of financial discipline and recovery.

The loans granted by MSFC are, however, expected to be more project-oriented and according to the requirements. The loans at concessional rates as per schedule given earlier vary between Rs. 10,000 and Rs. 1 lakh. MSFC advances the loans from their own funds, but the state Government guarantees to reimburse losses incurred by the Corporation to the extent of 100 per cent and pays a subsidy equal to the stipulated and corporation's general rate of interest. Besides, the Corporation has its own scheme of financing small and medium industries beyond Rs. 1 lakh upto Rs. 20 lakhs. The Corporation has during 1961-71 disbursed loans amounting to Rs. 4282.96 lakhs. During 1970-71, out of the total loans of Rs. 1168.22 lakhs, Rs. 998 lakhs (85 per cent) went to the small scale concerns. It may be expected that the MSFC loans being of a substantial size would have significant impact on the growth of industries and employment. Looking into the figures of employment in the factory sector over the period 1961-71 and the number of units and growth in the non-factory small sector (employment 5-10) units and employment in them in 1971 one can broadly say that (i) the districts-wise distribution of MSFC loans has been in line with the relative importance of each district in terms of the (a) SSI units and their growth during 1961-71 and (b) employment in the non-factory sector units (5-10 workers) in 1961-71 and (ii) the districts having the relatively high amounts of MSFC loans were also the districts which generally had a higher increase in employment in the organised sector during 1961-71 and/or 1966-71. The figures of loans by Banks under the scheme are not available district-wise. The Bank of Maharashtra sanctioned loans amounting to Rs. 76.82 lakhs to small units under the scheme of which Rs. 34.67 lakhs in Poona Division alone.

Besides the provision of financial assistance, Maharashtra Government also has a scheme of subsidy on power consumption by small scale industrial units served by thermal power stations as they have to pay a higher tariff than those served by hydel power stations. A subsidy equivalent to the difference between the actual rate paid and 9 paise per kilowatt for the consumption of first 3,000 units of power per month is paid to such units. The scheme came in force in 1966 and during 1966-71 a total sum of Rs. 18.07 lakhs was paid as subsidy; Sangli district alone claimed for about Rs. 5 lakhs, the other districts which received more than one lakh of rupees being Jalgaon, Kolhapur and Nasik.

(iii) *Scheme for the Development of Backward Areas.*—For promoting industrial activity in less developed areas of the state, the incentives are provided by MSFC as well as SICOM. MSFC provides financial facility between Rs. 25,000 to 50,000 to small scale units in Konkan, Vidarbha and Marathwada at 7½% interest and at 8% to other areas than the Greater Bombay where the rate is 9%. No concessional rates for areas, however, exist for the loans below Rs. 25,000 and above Rs. 50,000. During 1966-71, the less developed districts and areas of the state have received a substantially larger share of MSFC loans than they received during 1961-68. Since 1970-71, the MSFC is also operating the soft-loan scheme introduced by the State Government in collaboration with Industrial Development Bank of India. Under the scheme 13 districts (viz. Bhandara, Chanda, Buldhana, Yeotmal from Vidarbha, all five districts of Maharathwada and Dhulia, Jalgaon, Kolaba and Ratnagiri) have been declared industrially backward, and the new industrial units in these districts are eligible for concessional effective rate of interest at 6 per cent on loans upto an amount of Rs. 20 lakhs.

SICOM is another state agency, which was set up in 1966 with encouragement of the development of potential growth centres in the State outside the already industrially saturated areas, as its purpose. As pointed out earlier, its financial assistance consists of capital participation, guarantees and loans—both for fixed and working capital requirements. Till 1970-71, the Corporation had *sanctioned* a financial assistance of Rs. 254.84 million to units in underdeveloped areas (the total loans sanctioned to all areas being Rs. 331.65 million), which is expected to 'catalyse' or rehabilitate a total investment of Rs. 804.36 million in these areas. The total assistance *disbursed,* however, amounted to Rs. 140.91 million of which Rs. 82.72 million were in under-developed areas expected to 'catalyse' Rs. 349.04 million of investment.

Besides providing financial and other assistance on their own, the SICOM also acts as agent for the State Government's 'Package Scheme of Incentives' since 1969. Under the Scheme the following incentives are provided to industrial units in underdeveloped areas, that is areas outside Bombay-Thana-Panvel and Khopoli-Chinchwad-Poona areas. (i) "Refund" of the sales tax (Central and State) paid by the units on raw materials purchased and finished goods sold; (a) subject to a maximum of 8 per cent of the investment in fixed assets, for each of the six years from the date of production to the new units to be started in underdeveloped areas (b) subject to a maximum of 25% of the fixed assets to be created in the underdeveloped areas after 1-4-1969, in case of existing units in the developed areas of Maharashtra starting new unit in underdeveloped areas and also of the existing units in underdeveloped areas of Maharashtra if the sales tax liability during the three consecutive years prior to the year of application is Rs. 1 lakh (as against Rs. 3 lakh in the case of new units in underdeveloped area and existing units in developed area starting a new units in underdeveloped areas). The refund is given in the form of interest free loans without any security and repayable in three annual instalments after 18 years from the date of disbursement. (ii) Rebate on electricity tariff by Mararashtra State Electricity Board to the eligible units having a load more than 200 kw, so as to bring the tariff on par with Tata's tariff in Bombay. The rebate is available for 5 years. (iii) Exemption from Octroi duty on the import of raw materials, capital equipment, and building materials, by eligible units. (iv) Exemption from the payment of royalties on water drawn from public water sources. (v) Exemption from non-agricultural assessment of the land allotted to or taken up by eligible units; and (vi) contribution of 75 per cent of the cost of feasibility studies on the project approved by SICOM.

The various financial incentives offered by SICOM on its own or through the Package scheme as well as other assistance in the form of plant location service, project investigation and project implementation assistance go hand-in-hand with the MIDC's activities such as setting up of industrial estates and providing basic infra-structure facilities like water facilities etc. The MIDC has also a built-in bias in favour of the underdeveloped areas, in the form of a heavy subsidy on the price of plots in Industrial estates (e.g. the rate is Rs 66 per square metre in Marol Estate and Rs. 1.25 p.s.m. in backward areas). Of the 33 estates established by MIDC, 22 are in underdeveloped regions. The overall impact of MIDC's activities till 1970 was, however, predominantly in developed region where 716 of the total 806 production units under the programme were located.

SICOM's activities started only after 1966 and the impact might start becoming visible only now. It has not been possible to procure the necessary material to have an idea of the incentives and assistance offered by it to various districts except the overall figures as given above. It may, however, be noted that SICOM has been concentrating its efforts on selected centres, mainly Nasik and Nagpur till recently where it has promoted 86 and 66 units with capital investments of Rs. 16 crores and Rs. 30 crores respectively.

II. *Employment: District-wise Growth and Distribution*

According to the Employment Market Information statistics collected by the Directorate of Employment, the number of workers employed in the organised sector (i.e. in units employing 10 or more workers) was 18.04 lakhs in 1961, 22.71 lakhs in 1966 and 26.45 in 1971, thereby indicating a growth of 47.11% over 1961-1971 and 16.86% over 1966-71. Data for the whole period 1961-71 were available from the EMI scheme only for Greater Bombay, Nasik, Poona, Sholapur, Kolhapur and Nagpur; for other districts they are only for the period 1966-71. (It may, however, be noted that most of the incentives became effectively operative only during the later half of the 1960's). So far as the above six districts are concerned, the largest increase in employment during 1961-71 was registered by Poona (111%), followed by Kolhapur (72%), Nasik (66%), Greater Bombay (36%), Sholapur (28%) and Nagpur (13%). While in case of Greater Bombay, Nasik, Poona and Kolhapur the absolute increase in employment registered a steady increase over the whole period, most of the increase in Sholapur was registered during 1961-66 and in Nagpur during 1966-71.

During 1966-71, the district with the lowest employment figure in 1966, that is Bhir, registered largest percentage increase (117) in employment. Other districts which had a higher than state average (17%) rate of growth in the employment in organised sector are: Osmanabad (62.50%), Wardha (57.14%), Thana (49%), Aurangabad (41%), Poona and Sangli (36%), Satara (34%), Kolhapur (31%), Jalgaon & Kolaba (29%), Parbhani (26%), Buldhana (25%), Akola (24%), Yeotmal (19%) and Bhandara (18%). The lowest growth rates were registered by Dhulia (5%) and Greater Bombay (6%), Chanda registered an actual decline in employment by one thousand. Osmanabad Division had the highest gain (52%) and Bombay, the lowest (11%).

Information on the employment in the non-factory sector is not available on regular basis. We have, from a 1971 Survey of small scale units conducted by the Bureau of Economics and Statistics, figures of employment in units employing 5 to 10 workers, for each of the districts. The total employment in all such units in the state is found to be 2.1 lakhs of which more than 86,000 was in Greater Bombay. Other districts which have greater than ten thousand workers in those small units are Nagpur (25,000), Sholapur (19,900), Poona (10,700) and Kolhapur (10,000); these five districts thus claiming around 75 per cent of the total employment in the establishments employing five to ten workers. Of the employment in the organised sector also these five districts alone claim for around 70 per cent of the State total.

A study based on Census figures found that (i) over the decade 1961-71, the share of Greater Bombay in industrial employment of the State decreased from 51 per cent to 49 per cent. In terms of factory employment, the share of Greater Bombay ,declined from 64% to 59% during the period. (ii) The 'rest of Maharashtra' gained in employment mainly through the units employing more than 50 workers, while major part of a 3.04 per cent annual rate of increase in employment in Greater Bombay (against 3.75 per cent in 'rest of Maharashtra') was contributed by units employing less than 50 workers. (iii) Of the total gains in employment in the 'rest of Maharashtra' 72% was claimed by Thana, Nasik, Poona, Sangli and Kolhapur and the whole of the increase in factory employment in the state was accounted for by these districts only. Thana and Poona claimed the major share, the former having gained both through units with 50 or more employees as well as small units while the latter gained only through the relatively bigger units.

III. *Relative Role of Various Incentives: Some Stray Observations*

On account of the lack of detailed information on the incentives and units on which they were administered, it is not possible to evaluate the impact of incentives with a degree of precision. As pointed out earlier, we have district-wise figures of financial assistance given in case of some of the schemes. We could not get the similar information on Package Incentive Scheme and other schemes administered by the SICOM. On the employment side, we have the figures regarding the increase in employment in each district in the organised sector for the period 1966-71 and in case of some districts for 1961-71. For the unorganised sector we have employment figures at a point of time. Consequently any rigorous and overall analysis is not possible. One may only look at certain districts which have done extra-ordinarily well and see if the incentives have also been significantly in operation there without being sure if the latter have any casual link with the former.

Certain districts which registered above 50 per cent increase in organised sector employment (although they started with a very low base) during 1966-71, namely Bhir, Osmanabad and Wardha rank quite low in terms of the benefits of financial assistance they have received from MSFC, and subsidy on electricity consumption; although the first two have received about or above average share of the Zila Parishad loans (which average to around Rs. 6 lakhs). The Zila Parishad loans might have mainly effected employment, if at all, in the unorganised sector, but in none of these districts the employment in this sector (in units employing between 5 & 10 workers) exceeds a couple of thousands. It does not seem that SICOM paid any special attention to these districts during the period. The growth in employment, therefore, looks more or less, autonomous. It may also be observed that most of the increase in employment in these districts has been in the Public Sector.

Leaving aside Greater Bombay, the districts which have received largest amounts of MSFC loans are Thana, Poona, Kolhapur, Nagpur, Aurangbad, Sangli and Ratnagiri (all above one crores of rupees); and also a higher than average (except Ratnagiri & Nagpur) amount of Zila Parishad loans and rebate on electricity tariff (except Ratnagiri and Thana). They also had substantial increase (more than double the average) in the employment in organised sector with the exception of Ratnagiri and Nagpur. Recently (during 1966-70) SICOM also paid concentrated attention in Nagpur. The major part of the increase in employment in Nagpur occurred during 1966-71. Thus SICOM seem to have instilled some growth in otherwise stagnant economy of Nagpur. Also, leaving aside Greater Bombay, Nagpur is the district with the highest level of employment in the units employing five to ten workers in 1971.

The other districts which received a larger than average share in assistance of various forms are Nasik (which is another Centre where SICOM has concentrated its activities), Ahmednagar, Sholapur, Parbhani and Nanded; the respective percentage increases in organised sector employment are Nasik, 66% during 1961-71 and 13% during 1966-71; Sholapur, 28% during 1961-71 and 1% during 1966-71, Ahmednagar 8.06%, Parbhani 26% and Nanded 50 per cent during 1966-71. Sholapur, however, had around 20,000 workers employed in the unorganised sector in 1970, a figure lower only to Bombay and Nagpur. Among other districts with a higher than average rate of growth in employment are Jalgaon, Buldhana, Akola, Yeotmal and Bhandara (all in Vidarbha region) in all of which the share of assistance received was much below the average.

Looking into the absolute figures of increase in employment in the organised sector, one finds that during the period 1966-71 for which the figures for all districts are available, the order of districts is as follows. Greater Bombay (70,000), Poona (68,000), Thana (50,000), Bhir and Jalgaon (18,000 each), Nagpur (16,000), Kolhapur and Aurangabad (13,000 each), Sangli and Wardha (12,000 each), Satara (11,000), Osmanabad (10,000), Nasik (9,000), Nanded & Akola (8,000 each), Kolaba (6,000), Ratnagiri, Ahmednagar, Parbhani and Bhandara (5,000 each), Buldhana and Yeotmal (4,000 each), Amraoti (3,000), Dhulia (2,000), Sholapur (1,000) and Chanda (1,000). With the exceptions of Bhir, Jalgaon, Wardha and Satara, which registered a high increase in employment and received relatively lower amounts of assistance and Ratnagiri, Amraoti and Sholapur which received relatively higher amounts of assistance and registered a low increase in employment, the rankings of districts by assistance and increase in employment were more or less similar. It is difficult to say whether there was any casual relationship between the two and if there was any, in which direction, that is, whether higher actual increase in employment prompted institutions to power in larger assistance, or the assistance led to an increase in employment. Existence of a casual relationship would, however, be considered desirable irrespective of its direction.

The above observations relate to the relative position of districts mainly on the basis of the amount of MSFC loans received by them, which, by far is the largest single form of assistance. Districts like Nasik, Poona, Sangli, Aurangabad and Kolhapur with relatively high increase in employment also received higher than average amounts of Zila Parishad loans and subsidy on electric power consumption. But Jalgaon registered a high increase in employment in spite of low amount of MSFC assistance but much higher than average amount of Zila Parishad loans and subsidy on electric power consumption. Wardha and Satara had higher increases in employment without substantial assistance on any account. On the other hand, Sholapur had a low increase in employment in the organised sector in spite of relatively high amounts of assistance on all accounts. It, however, had a large number (around 20,000) of workers engaged in units in the unorganised sector (employing between 5 and 10 workers) for which assistance other than MSFC loans might have proved more effective.

TABLE 1

Employment as at the end of March (in lakhs)

District	Organised Sector			% increase 1971 over 1966	Unorganised sector SSI Survey(Bureau) employment in 5-10 Workers' units 1971
	1961	1966	1971 (Pub. sector)		
1	2	3	4	5	6
1. Greater Bombay .	8·16	10·46	11·11 (4·72)	36·15* 6·21	0·864
2. Thana . . .		·99	1·48 (0·37)	49·49	0·090
3. Kolaba . . .	..	0·21	0·27 (0·17)	28·57	0·029
4. Ratnagari . . .	..	0·29	0·34 (0·29)	17·24	0·063
5. Nasik . . .	0·47	0·69	0·78 (0·59)	65·95* 13·04	0·028
6. Dhulia . .	..	0·42	0·44 (0·39)	4·76	0·023
7. Jalgaon . . .	..	0·65	0·84 (0·70)	29·23	0·024
BOMBAY DIVISION	..	13·71	15·26 (7·23)	11·30	..
8. Ahmednagar . .	..	0·62	0·67 (0·40)	8·06	0·054
9. Poona	1·26	1·96	2·67	111·90* 36·22	0·107
10. Satara . . .	..	0·32	0·43 (0·28)	34·37	0·038
11. Sangali . . .	..	0·33	0·45 (0·26)	36·36	0·018
12. Sholapur . . .	0·78	1·00	1·01 (0·60)	28·30* 1·00	0·199
13. Kolhapur . . .	0·32	0·42	0·55 (0·30)	71·87* 30·95	0·101

1	2	3	4	5	6
POONA DIVISION	..	4·65	5·87 (3·51)	26·23	..
14. Aurangabad . . .	..	0·32	0·45 (0·34)	40·62	0·018
15. Parbhani . . .	..	0·19	0·24 (0·20)	26·41	0·015
16. Bhir	..	0·15	0·34 (0·30)	116·66	0·007
17. Nanded . . .	..	0·24	0·32 (0·23)	50·00	0·015
18. Osmanabad . .	..	0·16	0·26 (0·20)	62·50	0·013
AURANGABAD DIVISION	..	1·06	1·61 (1·27)	51·88	..
19. Buldhana . . .	..	0·16	0·20 (0·16)	25·00	0·011
20. Akola . . .	..	0·34	0·42 (0·31)	23·52	0·030
21. Amraoti . . .	..	0·34	0·37 (0·27)	8·82	0·021
22. Yeotmal . . .	..	0·21	0·25 (0·20)	19·04	0·010
23. Wardha . . .	..	0·21	0·33 (0·23)	57·14	0·008
24. Nagpur . .	1·35	1·36	1·52 (1·00)	12·54* 11·76	0·253
25. Bhandara . . .	..	0·28	0·33 (0·29)	17·85	0·040
26. Chanda . . .	..	0·39	0.38 (0·28)	..	0·007
NAGPUR DIVISION	..	3·29	3·80 (2·96)	15·50	2·086
MAHARASHTRA STATE	18·04	22·71	26·45 (14·70)	47·11* 16·86	..

---

*1961-1971

सत्यमेव जयते

TABLE 2

Industrial Estates Programmes (end of 1970)

District	No. of Estates (Functioning only) 31-12-70	Sheds Constructed	Sheds working	Units functioning	Employment
Bombay	3	480	345	269	6,194
Thana	1	20	16	6	78
Kolaba	1	3	1	1	18
Ratnagiri	4	43	26	27	372
Nasik	1	103	70	37	634
Dhulia	1	15	10	8	41
Jalgaon	2	35	12	12	124
Ahmednagar	2	16	11	8	187
Poona	5	173	129	121	4,360
Satara	1	24	21	12	211
Sangli	3	174	129	156	1,520
Sholapur	2	57	50	33	586
Kolhapur	2	159	156	208	1,814
Aurangabad	3	41	22	21	261
Bhir	1	5	4	4	60
Nanded	1	70	49	26	156
Osmanabad	1	10	7	5	49
Parbhani	1	8	3	3	22
Akola	..	..	..	..	..
Amraoti	1	29	23	14	99
Bhandara	..	..	..	..	..
Buldhana	..	..	..	..	..
Chandrapur	1	14	14	4	198
Nagpur	1	52	30	23	320
Wardha	..	..	..	..	..
Yeotmal	..	..	..	..	..

TABLE 3

District	MSFC Loans			Zilla Parishad Loans (lakhs of Rs.) (drawn)			Bank of Maharashtra Loans under state Govt. Guarantee Scheme (Rs. Lakh) (disbursed)		Subsidy on Electric power consumption to SSI units (lakhs (of Rs.	
	1961-66	1966-71	Total	1962-66	1966-71	Total	1961-66	1966-71	Total	1966-71
1	2	3	4	5	6	7	8	9	10	11
1. Greater Bombay	666·50	800.46	1,466.96	..	..	..	..	..	..	..
2. Thana . . .	199·23	349·88	549·11	1·83	3·40	5·23	..	..	..	0.23
3. Kolaba . . .	36·33	52.32	88.65	2.17	2.70	4.87	..	..	..	0.02
4. Ratnagiri . .	2·55	102.23	104.78	1.72	3.27	4.99	..	..	..	0.14
5. Nasik . . .	5.26	91.81	97.07	2.11	5.20	7.31	..	..	..	1·77
6. Dhulia . . .	2·15	22·97	25·12	2·37	1·74	4·11	..	..	..	0.09
7. Jalgaon .	3·70	33.09	36.79	3.03	4·75	7.78	..	..	..	2.16
Bombay division	915.72	1,452.76	2,368·48	13·23	21·06	34.29	7·64	10·52	18·16	4·41
8. Ahmednagar .	7·86	61·66	69·52	4.03	5·36	9.39	..	..	..	0.70
9. Poona . . .	169.15	359.24	528.39	6·16	4·22	10·38	..	..	..	0·99
10. Satara . . .	5·32	25·24	30.56	1.32	3·89	5.21	..	..	..	0.38
11. Sangli .	30·48	101.44	131.92	5·55	7.92	13.47	..	..	..	4·93
12. Sholapur . .	23·25	71·85	95.10	3.37	5.29	8·66	..	..	..	0.54
13. Kolhapur . .	42.24	281.96	324·20	2·66	3.63	6.29	..	..	..	1.92

TABLE 3—*Contd.*

1	2	3	4	5	6	7	8	9	10	11
Poona Division	278.30	901.49	1,179.79	23·09	30.31	53.40	13.03	21.64	34·67	9.46
14. Aurangabad . .	21.74	114·39	136·13	2.96	4.40	7·36	..	..	..	0·55
15. Parbhani . .	1·70	60.96	62.66	1.50	3.73	5.23	..	..	..	0·19
16. Bhir . . .	3.60	26·34	29.94	..	..	..	..	..	..	0.08
17. Nanded . . .	10.36	81.26	91.62	2.36	3.58	5.94	..	..	..	0.14
18. Osmanabad .	3.73	30·00	33.73	2.67	4.91	7.58	..	..	..	0.13
Aurangabad Division	41.13	312·95	354.08	11.86	20.22	32.08	4.16	4.85	9·01	1.09
19. Buldhana . .	1.13	22.42	23.55	1·47	3·20	4·67	..	..	..	0·24
20. Akola . . .	5·30	35·16	40·46	1·67	2·58	4·25	..	..	..	0·42
21. Amroati . .	9·42	38.76	48.18	1·87	3·81	5·68	..	..	..	0.40
22. Yeotmal . .	1·25	35.90	37.15	1.87	3·04	4·91	..	..	..	0·28
23. Wardha. . .	5·07	32·45	37·52	1·87	2·32	4·19	..	..	..	0.30
24. Nagpur. . .	29.05	124·98	154·03	2·36	1·93	4.29	..	..	..	0.94
25. Bhandara . .	1.57	19·20	20·77	1·42	2·64	4·06	..	..	..	0.28
26. Chanda . .	3·04	15·91	18·95	1·56	2·20	3·76	..	..	..	0·26
Nagpur Division	55·83	324.78	380·61	14·09	21·72	35·81	4·88	10·10	14·98	3·12
TOTAL . .	1,290·98	2,991·98	4,282·96	62·27	93·31	155·58	29·71	47·11	76·82	18·07

TABLE 4

SICOM

Summary of Financial Assistance 1966-71

(Rs. Million)

Type of Assistance	Sanctioned	Disbursed
1. *Underwriting*		
No. of cases	12	7
Amount	13.20	7.04
2. *Direct Subscription*		
No. of cases	6	4
Amount	2.90	0.97
3. *Guarantee*		
No of cases	1	..
Amount	0.87	..
4. *Loans in underdeveloped areas*		
No. of cases	390	171
Amount	237.88	74.71
5. *Total financial Assistance in underdeveloped areas*	..	
No. of cases	409	182
Amount	254.85	82.72
6. *Short term loans in Development Areas*		
No. of Cases	53	43
Amount	76.80	58.19
7. *Total Assistance*		
No. of cases	462	225
No. of units	379	177
Amount	331.65	140.91
8. Project cost expected to be catalysed or rehabilitated in underdeveloped areas	804.36	349.04

सत्यमेव जयते

ANNEXURE V

Industrial incentives in Gujarat

I. Introduction

The purpose of this appendix is two-fold. It begins with a discussion of the industrial development experience of the Gujarat economy during the period 1960-69, with special reference to the position of different districts of the State economy. The purpose of this is to analyse in detail disaggregated industry level data to determine the relative position of different Districts in the State industrial economy and to isolate industrywise changes that have taken place during the last decade. In particular an attempt is made to identify fast growing industries. Secondly an attempt is made to piece together the role of special financial and other governmental agencies involved in aiding the process of industrialization in Gujarat, with particular reference to their impact on backward regions.

II. Structural Aspects of Industrialization in Gujarat 1960-69

Table 1 (based on Appendix Table 1) gives the distribution of industrial employment by the districts of Gujarat in 1960 and 1969. Data refers to registered factories (factories employing 10 or more persons and registered with the Chief Inspector of Factories, Gujarat State). The table shows that there has been some re-shuffling in the ranks of different districts in the industrial picture of the State economy. In 1960 Ahmedabad, Baroda, Kaira, Mehsana, Bhavnagar and Rajkot were the 6 most industrially developed districts of the State economy. Together they accounted for 78.60 per cent of aggregate industrial employment. During the decade as a whole the growth of industrial & employment in Ahmedabad was very low. It was only 0.07 per cent per annum

TABLE 1

Distribution of Industrial Employment by Districts of Gujarat, 1960-1969

Name of District	Industrial Employment in District as percentage of Gujarat Total		Rate of growth of Industrial Employment %per year Compound
	1960	1969	
1	2	3	4
Ahmedabad	52.62 (1)	42.26 (1)	0.07
Bhavanagar	3.82 (5)	3.21 (9)	0.54
Amreli	0.49 (16)	0.55 (16)	3.38
Junagadh	2.54 (10)	3.39 (7)	5.27
Jamnagar	3.23 (8)	3.11 (10)	1.89
Kutch	0.84 (15)	1.0 (14)	0.04
Rajkot	3.50 (6)	4.15 (6)	4.05

सत्यमेव जयते

1	2	3	4
Surendranagar	3.17 (9)	3.00 (11)	1.73
Banaskantha	0.14 (17)	0.09 (17)	—2.35
Mehsana	4.15 (4)	3.32 (8)	0.03
Gandhinagar	..	0.09 (17)	N.A.
Sabarkantha	1.27 (14)	0.91 (15)	—1.01
Kaira	5.54 (3)	6.08 (4)	3.27
Panchmahals	1.59 (13)	1.24 (13)	— 0.19
Baroda	8.97 (2)	11.88 (2)	5.20
Broach	2.30 (12)	2.49 (12)	3.10
Surat	3.35 (7)	8.03 (3)	11.63
Dangs	0.01 (18)	0.01 (19)	8.66
Bulsar	2.47 (11)	5.19 (5)	10.19
GUJARAT	100.00	100.00	2.29

Source : Data refers to Number of Workers Employed in Registered Factories in Gujarat, as obtained by Chief Inspector of Factories, Gujarat state (Appendix Table I).

Note : Figures in Brackets refer to rank of District.

सत्यमेव जयते

as compared to 2.29 per cent per annum for the State as a whole. Although the relative share of Ahmedabad in the State in terms of industrial employment, declined from 52.62 per cent in 1960 to 42.26 per cent in 1969, the district still remained the industrially most developed region of the state. Baroda with a rate of growth of industrial employment of 5.2 per cent maintained its relative rank and improved its relative position by increasing its share of total industrial employment from 8.97 per cent to 11.88 per cent during the period 1960-69, Surat and Bulsar with rates of growth of industrial employment greater than 10 per cent per annum became a part of the most industrially developed districts of Gujarat and Bhavnagar and Mehsana with rates of growth of industrial employment less than half of 1 per cent per annum dropped out of this list. In 1969 the six most industrially developed districts of the State were Ahmedabad, Baroda, Surat, Kaira, Bulsar and Rajkot. They accounted for 77.59 per cent of aggregate industrial employment in the State. Details of the industrial composition of employment in each district in Gujarat in 1960 and 1969 are given in Appendix I and details of the rate of growth of industrial employment, industry-wise in each district of Gujarat are given in Appendix II.

Table II lists the important industries of Gujarat which account for more than three quarters of its total industrial employment in 1960 and in 1969. Two-thirds of the total industrial employment in the State in 1960 and more than half of the total industrial employment in 1969 is accounted for by the textile industry and gins and presses. The percentage share of the machinery industry

TABLE II

Major Employment Generating Industries of Gujarat

Name of Industry	Percentage of Aggregate Gujarat Industrial Employment	
	1960	1969
Gins and Presses	10.79	9.13
Misc Food Preparations	5.39	5.53
Spinning, Weaving & Finishing of Textiles	56.57	46.71
Basic Chemiclas	2.26	2.35
Misc. Chemical Products	1.40	3.13
Structural Clay Products	2.80	2.64
Machinery (except Elect.)	3.72	7.15
% of Aggregate Industrial Employment in Gujarat .	84.93	76.64

Source : Appendix Table I.

(except electrical machinery) has gone up from 3.72 to 7.15. The remaining major industries are miscellaneous food preparations, basic chemicals and miscellaneous chemical products and structural clay products. The Industrial core of the Gujarat economy therefore still seems to consist of textiles, chemicals and non-metalic mineral products, with machinery industries becoming more important during the last decade.*

The above description of the industrial structure of the State economy however hides certain important variations in the rate of growth of industrial employment as between different industries. A detailed analysis of the industrial record of the State economy shows that agro-based industries and engineering industries are at the core of the fast growing industrial sectors of the State economy. Table III below shows that during the last decade the fastest growing industries in the State with a rate of growth of industrial employment greater than 20 per cent were electrical machinery industries, bicycles and jewellery. Closely following were the agro-based industries of dairy products, canning and preservation of fruits and vegetables, grain mill products and bakery products which recorded a rate of growth of industrial employment between 15-20 per cent per annum. In this category also falls industries such as forrous metal industries, ship building including repairs, etc. The details given in this table confirm that the rate of growth in industrial employment was high in agro-based and engineering industries. Miscellaneous chemical products and cement also showed a rate of growth of industrial employment greater than 10 per cent.

---

*For detailed analysis of this aspect see Y. K. Alagh, K. K. Subrahmanian and S. P. Kashyap: Interregional Industrial Structure in a Developing Economy: A Concept Frame with a Case Study, Journal of Regional Science, Vol. II, No. 3, 1972.

TABLE III

High Employment Growth Industries in Gujarat State

Annual Average Rate of Growth Compound % (1960-69)				
2.29—5·00	5·01—10·00	10.01—15.00	15·01—20.00	Greater than 20.00
1. Misc. Food Preparation	1. Weaving Apparatus	1. Sugar Factories & Refineries	1. Dairy Products	1. Elec. Machinery
2. Knitting Mills	2. Leather Products	2. Soft Drinks, etc.	2. Canning and Preservation of Fruits & Vegetables	2. Bicycles
3. Boots & Shoes	3. Glass and Glass Products	3. Furniture and Fixtures	3. Grain Mill Products	3. Jewellery
4. Pulp, paper & Paper Board Mills	4. Pottery, China, etc.	4. Misc. Chemical Products.	4. Bakery Products	
5. Tanneries etc.	5. Non-metallic Mineral Products	5. Cement	5. Ferrous Metal Industries	
6. Ruber & Rubber Products.	6. Machinery (except Elect. Machinery)	6. Metal Products	6. Ship Building (incl. repairs)	
7 Basic Chemicals	7. Repair of Motor Vehicles, etc.		7. Watches & Clocks	
8. Non-Ferrous Metal Industries	8. Musical Instruments		8. Gas Manufacture and Distribution	
9. Photographic Goods	9. Water Supply			

Source : Appendix Table II.

The details given in Appendix Table II can be used to isolate the industries which have been developing fast in the backward districts of the State. These include gins and presses, manufacture of grain mill products, miscellaneous food preparation, textiles, printing, etc., basic chemicals, structural clay products, non-metallic mineral products, metal products, ferrous metal industries, machinery except electrical machinery and repair of motor vehicles. It can therefore be seen that the backward districts have participated in the growth of some of the new leading industrial sectors in the State economy such as the engineering industries, while in some cases such as textiles and non-metallic mineral products, growth of employment in the State has mostly taken place in the backward regions of the State.

Appendix Table III compares per factory employment in different industries, in each district of Gujarat in 1960 and 1969. The results are somewhat ambiguous. Per factory employment in the aggregate seems to have increased in virtually all the industries of the Gujarat economy during the last decade. However there are significant exceptions to this trend. Per factory employment has declined in the following industries in the period 1960-69 ; sugar, confectionery, etc., textiles, knitting mills, wood and cork, plup and paper, rubber and rubber products, structural clay products and non-metallic mineral products. Thus in the traditional industries of the state, namely, textiles and non-metallic mineral products and certain natural resource-based industries such as wood, paper, rubber, etc., average employment per factory has declined. This is possible due to technological changes and rationalisation affected in the operation of such factories. A detailed look at Appendix Table III does not show any major interregional variations within the State in these trends. The changes seem to be taking place on an industry-wise rather than a region-wise pattern within the State. Table 4 below however analyses the size structure of the distribution of factories by employment class in the district of the Gujarat economy. As expected the proportion of factories employing 500 and above workers is greater than the State average in the case of Ahmedabad and Baroda districts. However this proportion is also relatively higher in Kutch, Surendranagar and Mehsana. In general no systematic size structure differences seem to be observable amongst regions classified by different levels of industrial development. To take an example, in six backward districts and in only one developed district, is the proportion of factories employing less than 50 workers smaller than the average for the State as a whole. This would tend to suggest that small industries also show concentration around industrially developed centres of the State economy.

We have concentrated mainly on an analysis of the structure of industrialisation in Gujarat based on registered factory employment data. Annual Survey of Industries also gives information on different industrial characteristics for the large scale industrial sector. This information is available only upto 1966. The available data is analysed in Table V below. This table shows that in current prices capital per employee as well as output per employee has increased considerably between 1960 and 1966 in each district of the State economy. We also tried to find out if the raw material component per rupee of gross output is higher in the less developed districts.

TABLE IV

Distribution of Registered Factories and Corresponding average size of workers therein among Districts of Gujarat by size Groups of Workers : 1969

Size Groups of Workers		Ahmedabad	Bhavnagar	Amreli	Junagadh	Jamnagar	Kutch	Rajkot	Surendranagar	Banaskantha	Mehsana
1		2	3	4	5	6	7	8	9	10	11
1. Below 50	F	(77·17)	(87·37)	(33·34)	(74·73)	(78·95)	(71·43)	(33·38)	(53·88)	(84·62)	(68·10)
	W	18·01	16·41	15·22	19·23	18·75	18·60	20·40	24·71	21·09	25·24
2. 50—99	F	(9·13)	(5·46)	(4·76)	(12·90)	(7·89)	(12·24)	(10·07)	(14·95)	(15·38)	(14·28)
	W	74·78	70·75	53·50	70·17	73·33	72·00	73·38	73·50	51·50	69·17
3. 100—499	F	(7·79)	(6·14)	(9·52)	(10·22)	(11·58)	(12·25)	(6·30)	(21·50)	(—)	(16·67)
	W	190·54	201·83	200·75	299·89	233·41	203·50	214·88	212·17	—	233·43
4. 500—above	F	(5·91)	(1·03),	(2·38)	(2·15)	(1·58)	(4·08)	(0·28)	(4·67)	(—)	(5·95)
	W	1,897·38	1,188·00	705·00	1,121·75	832·33	807·50	1,159·00	818·00	—	1,504·40
ALL GROUPS	F	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)
	W	147·68	42·76	51·14	71·04	60·76	79·98	40·85	109·37	25·77	154·26

Size Groups of Workers		Gandhi-nagar	Sabar-kantha	Kaira	Panch-mahals	Baroda	Broach	Surat	Dangs	Bulsar	GUJARAT
		12	13	14	15	16	17	18	19	20	21
1. Below 50	F	(60·00)	(39·53)	(77·09)	(77·42)	(57·06)	(41·25)	(82·94)	(100·00)	(81·13)	(76·25)
	W	19·67	27·23	21·13	23·58	21·17	20·03	15·66	39·00	18·04	18·67
2. 50—99	F	(20·00)	(32·36)	(15·27)	(14·52)	(18·73)	(20·00)	(7·73)	(—)	(8·18)	(10·88)
	W	65·00	73·71	63·44	91·88	64·75	75·00	69·47	—	72·31	70·56
3. 100—499	F	(20·00)	(27·91)	(6·21)	(6·45)	(19·02)	(37·50)	(8·31)	(—)	(8·80)	(9·96)
	W	222·00	113·00	179·38	163·25	237·61	200·17	208·16	—	119·86	208·19
4. 500—above	F	(—)	(—)	(1·43)	(1·61)	(5·19)	(1·25)	(1·02)	(—)	(1·89)	(2·91)
	W	—	—	1,440·00	2,333·00	1,237·67	1,850·00	922·86	—	1,353·00	1,554·61
ALL GROUPS	F	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)	(100·00)
	W	69·20	83·05	57·73	79·75	133·60	121·45	45·07	39·00	63·67	87·83

NOTE.—Worked out on the basis of CIF Data-Registered Factories (submitting returns)
F—(Percentage of Factories).
W—Average size of workers.

TABLE No. V

Structure of Gujarat Industry among Districts of Gujarat : 1960 *and* 1966

	District	Per Factory Employment (Nos.)		Per Employee Productive Capital (Rs.)		Per Employee Gross Output (Rs.)		Per Employee Net Value added by Manufacture (Rs.)		Net value added by manufacture per productive Capital		Raw Material Component per Gross output effected	
		1960	1966	1960	1966	1960	1966	1960	1966	1960	1966	1960	1966
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Ahmedabad	795·61	560·97	4,730·86	6,836·07	8,932·22	15,398·34	3,254·14	4,338·08	0·69	0·63	0·64	0·72
2.	Bhavnagar	327·57	263·72	5,574·95	4,081·16	10,802·68	21,179·74	2,638·45	3,114·78	0·47	0·76	0·76	0·86
3.	Amreli .	194·80	310·75	16,578·02	27,089·30	6,362·42	21,007·24	101·64	14,763·47	0·01	0·54	0·98	0·30
4.	Junagadh .	203·32	226·54	5,674.21	15,858·74	13,319·89	29,902·46	2,319·30	6,205,89	0·41	0·39	0·83	0·80
5.	Jamnagar .	432·57	244·72	11,487·12	21,796·19	19,175·91	35,812·03	4,545·13	12,610·17	0·40	0·58	0·76	0·65
6.	Kutch .	208·86	167·00	3,273·26	11,268·71	2,474·01	9,356·66	887·48	2,414·67	0·27	0·21	0·64	0·75
7.	Rajkot .	199·30	126·80	3,710·99	9,101·11	7,258·07	22,259·47	1,954·51	3,464·77	0·53	0·38	0·73	0·85
8.	Surendranagar .	221·63	182·57	4,476·73	4,781·78	5,313·17	7,227·21	1,277·92	2,397·89	0·29	0·50	0·76	0·67
9.	Banaskantha .	432·85	41·33	4,797·72	5,225·80	8,698·90	17,919·35	2,629·42	3,467·74	0·55	0·66	0·70	0.81
10.	Mahsana .	45·85	339·25		7,687·95		11,554·49		2,383·03		0·31		0.80
11.	Gandhinagar .	N.A.		N.A.		N.A.		N.A.		NA.		N.A.	

1	2	3	4	5	6	7	8	9	10	11	12	13	14
12.	Sabarkantha	76·06	87·57	3,472·91	3,248·78	11,831·47	12,495·50	1,019·92	1,067.13	0·29	0·33	0·91	0·15
13.	Kaira .	232·34	177·91	4,576·76	13,418·71	11,654·31	23,437·55	2,855·57	4,215·19	0·62	0·31	0·75	0·83
14.	Panch-mahals .	295·75	240·00	5,402·16	5,770·83	6,771·77	123,456·94	1,831·57	2,920·37	0·34	0·51	0·73	0·98
15.	Baroda .	266·90	212·84	4,859·97	20,571·70	10,182·23	25,032·29	3,800·72	5,899·81	0·78	0·29	0·63	0·77
16.	Broach .	103·36	144·80	2,100·49	2,806·64	6,835·34	4,979·42	1,274·63	1,600·94	0·61	0·57	0·81	0·68
17.	Surat .	201·48	143·20	7,874·75	12,848·99	11,160·90	16,196·68	3,611·81	3,604·07	0·46	0·28	0·68	0.78
18.	Dangs .	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.N.A	N.A.	N.A.	N.A
19.	Bulser .	N.A.	295·50	N.A.	21,747·22	N.A.	22,178·28	N.A.	6,856·27	N.A.	0·32	N.A.	0·70
	All District .	377·20	286·94	5,237·61	10,418·70	9,576·12	17,878·57	3,101·62	4,613·53	0·59	0·44	0·68	0·7 5

NOTE.— Worked out on the basis of ASI Dacca (Census Part).

Table V shows this hypothesis is not maintained. For the State as a whole raw material component per rupee of gross output has increased by approximately 10 per cent from 1960 to 1966. In some of the less developed districts such as Amreli, Junagadh, Jamnagar, Surendranagar, Sabarkantha, Broach the raw material component per rupee of output has declined while it has increased in the developed districts during the period.

The major conclusion of the analysis of the regional structure of Gujarat's industrial economy, therefore, seems to be that about 6 districts account for roughly 3/4th of the State's industrial activity. Surat and Bulsar have improved their industrial position and are now a part of the 6 most industrially developed districts of the State economy. Baroda has also shown a high rate of industrial growth during the last decade. While the traditional industries of the State still account for a major part of its total industrial activity, agro-based industries and engineering industries have shown a high growth potential during the last decade. There seems to be a trend towards increasing capital intensity in different industries in the State economy which has also been observed at the all-India level.* In Gujarat there does not seem to be any significant relationship between the size structure of industry and the level of industrial development of different regions. Also it does not seem to be verified that less developed districts are generally engaging in activities which are more raw material intensive.

III. Agencies for fostering Industrialisation

The strategy adopted by Government for industrial development of the State is provision for infra-structure facilities, critical intervention of the State for promotion of industries in large and medium scale sectors, direct assistance to small scale industries and promotion of research and quality consciousness. Some of the principal features of the State's policy are to provide a comprehensive corporate net-work to offer expert service, to give assistance to small-employed technicians and artisans in semi-urban and rural areas, to provide technical assistance and information to entrepreneurs in respect of potentialities, locational advantages etc., Gujarat State Financial Corporation has been set up to help entrepreneurs by way of finance. The State Government has set up the Gujarat Industrial Development Corporation with a view to developing industrial areas and estate in a widely dispersed manner. The Gujarat Small Industries Corporation has been established to serve the needs of small scale industries by distribution of controlled raw materials, sale of finished products, supply of machinery on hire-purchase basis etc. The Gujarat Agro Industries Corporation has been set up for agro-based industries. The Gujarat Industrial Co-operative Bank provides loans to small scale industries and artisans for working capital. The Gujarat Mineral Development Corporation has been established to develop mineral-based industries in the State while the Gujarat Industrial Investment Corporation has been formed to provide industries with equity capital so as to accelerate growth of industries in the State. The Gujarat Textile Corporation has been set up to take care of deteriorating position of textile mills and the Gujarat Export Corporation has been established for promoting exports.

IV. Existing Incentives offered by State Government

The incentives provided by the State Government under its various schemes to accelerate industrial development can be briefly recounted as under:—

(1) *Sales Tax.*—Sales Tax concession is being granted to new industries on their purchase of machinery, raw materials, processing materials and packing materials for a period of 5 years provided the industries are established at a distance of not less than 24 kilometres from the municipal limits of Ahmedabad and Baroda and 16 kilometres from the municipal limits of Surat, Rajkot, Bhavnagar and Jamnagar.

---

*See Raj Krishna and Sukh Sampath Mehta: Productivity Trends in Large Scale Indian Industry, *Economic and Political Weekly,* 1968.

(2) *Octroi Duty.*—A number of municipalities have agreed to exempt new industries from octroi duty payment for 5 years. The State has directed Nagar panchayats and the gram panchayats to exempt new industries from octroi on building materials, plants, machinery, stores, raw materials, etc., for a period of 5 years from the date of production or 7 years from the date of establishment whichever is earlier.

(3) *Stamp Duty.*—The State has reduced the rate of stamp duty on documents of mortgage without possession in respect of loans and advances executed by industrial units in favour of various State corporations, nationalised banks and other public sector financial institutions.

(4) *Supply of Machinery.*—The Gujarat Small Industries Corporation supplies the indigenous machinery up-to a maximum limit of Rs. 2 lakhs value to individual units on hire purchase basis with attractive terms of payment and low rate of interest. For small scale units in backward districts and technicians coming under Technician Package Scheme of the Directorate of Industries, the hire-purchase terms are further liberalised.

(5) *Technicians Scheme.*—To enable technicians/engineers to set up their own industry, liberal finance upto Rs. 2 lakhs at concessional rate is available from Gujarat Industrial Investment Corporation. Under the Package Scheme, the Directorate of Industries provides financial assistance up-to Rs. 10,000 at 3 per cent interest.

(6) *Power Rates.*—The State is one of the few with a single grid and a common tariff. A rebate is given for taking power supply at 33 Kw and above and concession is available to new industries for the first 5 years subject to specified condition. The Gujarat Electricity Board offers concessional rates for industrial consumers taking high voltage supply during 10 p.m. to 7 a.m. The rates during this period work out to only 5 paise per unit, 60-65 per cent of the normal. Power intensive industries satisfying prescribed norms are charged a flat rate of 7.25 paise per unit. Financial assistance by way of subsidy on the electric power consumption to small scale units is granted by the Directorate of Industries.

New Industries are exempted from the payment of electricity duty on power purchase for the first 5 years. Units generating their own power are exempted for 10 years. There is a provision for concessional rate of electricity duty for specified industries including small scale units and others. Substantial expansions are also exempted from electricity duty for a period of 5 years under certain conditions.

(7) *Water.*—The charges for providing running water from the rivers have been kept nominal. Industries drawing running water either from notified or unnotified sources are exempted from payment of any charge except nominal licensing fee for a period of 5 years from starting date. Cases of industries drawing water from the sources having advantage of recharge are decided on individual merit.

(8) *Industrial Housing.*—Gujarat Housing Board, municipalities and co-operative societies of eligible workers and employers received financial assistance for providing housing accommodation for industrial workers under the subsidized industrial housing scheme of the Government of India.

(9) *Testing Facilities.*—A subsidy is granted to registered small scale units at the rate of 50 per cent of testing charges for getting their products tested in the approved test houses and laboratories. 50 per cent subsidy is also granted in the cost of testing equipment and apparatus purchase.

(10) *Backward Districts.*—10 districts—Banaskantha, Sabarkantha, Panchmahals, Kutch, Broach, Mehsana, Amreli, Junagadh, Surendranagar and Bhavnagar are declared industrially backward and industries setting up there are eligible for concessional finance from financial institutions. (*See* details below).

The Panchmahals district is eligible for Central Government outright grant or subsidy amounting to 1/10th of the fixed capital investment to new units of not more than Rs. 50 lakhs each.

V. Incentives by Gujarat State Financial Corporation

The Gujarat State Financial Corporation was established in 1960. The Corporation advances loans for the development of different types of infrastructures such as (1) Supply of Power, (2) Transport and Communication, (3) Development of plots/sheds, (4) Water and effluent disposal, (5) Finance and (6) Training etc.

During the last few years, the Gujarat State Financial Corporation has paid more attention to the small industries and to the less privileged groups in society like truck drivers, technicians, new entrepreneurs etc.

In a period of 11 years since its inception in Gujarat State, the Gujarat State Financial Corporation has advanced loans to 3,736 units. The amount of loan advanced by Gujarat State Financial Corporation has increased from Rs. 19.6 lakhs in 1960 to Rs. 2,267 lakhs in 1970-71.

Underwriting of shares was of the order of Rs. 96 lakhs and deferred payment guarantees on purchase of machineries was of the order of Rs. 122 lakhs. On an average, during the last 11 years Gujarat State Financial Corporation has granted loans at the rate of Rs. 2 crores per year.

The distribution of loans activitywise during the period in question can be seen in the following table :—

Loans given to various industries and services

(Rs. in lakhs)

Activities	Loans Sanctioned		Disbursed
	No. of units	Rs.	Rs.
1. Manufacturing & Processing . . .	1,630	1,562.63	1,160.75
2. Preservation of goods (cold storage) . .	26	60.73	29.01
3. Mining	16	17.44	6.32
4. Electricity	3	14.69	14.69
5. Hotel	11	36.10	16.79
6. Transport	739	352.83	321.43
7. Industrial Estate	15	72.18	47.66
8. Printing Presses	82	55.29	47.35
9. Flood Loans	1,072	64.49	55.76
10. Agency Loans.	142	30.97	29.20
TOTAL .	3,736	2,267.35	1,728.96

The Corporation has, so far, covered 18 per cent of small units registered with the Directorate of Industries during the last decade. The volume of financial assistance to the Small units can be observed from the following table :—

Loans to Small Scale Industries

(Rs. in lakhs)

	During 1960-61 to 1969-70			During 1970-71		
	No. of Units	Sanctioned	Disbursed	No. of Units	Sanctioned	Disbursed
Small Scale	2,182	789.08	489.14	1,221	629.93	507.54
Percentage Share of small Units	93.88	50.89	42.52	99.10	92.02	92.55

The above table indicates a significant share of the small scale units in the total volume of loans sanctioned by the Gujarat State Financial Corporation. During 1970-71, almost the entire loans operation was directed towards small scale units which accounted for about 92 per cent of the total amount sanctioned.

The smallest among the small scale units is estimated around 48 per cent. Each of these units has investment in plant and machineries upto Rs. 10,000 only. Since 1970, the Gujarat State Financial Corporation has been providing finance to units having machineries below Rs. 10,000 at concessional rate of 5 per cent.

सत्यमेव जयते

Financial assistance granted by the Gujarat State Financial Corporation in backward districts can be seen from the following table :—

Loans advanced in Backward Districts

(Rs. in lakhs)

Period	Loans sanctioned	Loan disbursed
	Backward Districts	Backward Districts
(1) 1960-61 to 1968-69	172.33	121.10
(2) 1969-70	114.78	67.57
(3) 1970-71	151.76	125.95
TOTAL .	438.87	314.72

With a view to promoting regional balanced development, the Gujarat State Financial Corporation in collaboration with IDBI and the State Government has been providing loans at an interest rate varying from 5 to 7 per cent in the backward districts. The industrial units in the backward areas, thus, have the benefit of loans with lower margin, longer maturity and longer initial grace period.

The Gujarat State Financial Corporation has recently launched a scheme to advance loans to experienced and qualified technicians to start industry of their own, subject to a limit of Rs. 3 lakhs. This scheme promotes self-employment amongst technicians with modest means.

The Gujarat State Financial Corporation has provided 22.5 per cent and 59 per cent of the assistance provided by all the State Financial Corporations in aggregate. The following table makes this position clear :—

Comparative position of working of the Gujarat State Financial Corporation amongst State Financial Corporations

(Percent)

Item	GSFC	All SFCs.
1. In loans sanctioned by all SFCs. during 1960-61 to 1968-69	7.7	100.00
2. In loans sanctioned during 1969-70	17.2	100.00
3. In loans disbursed by all SFCs. during 1960-61 to 1968-69	7.0	100.00
4. In loans disbursed during 1969-70	15.8	100.00
5. In loans outstanding as on 31-3-70 . . .	7.6	100.00
6. In shares underwritten (including TNIIC) . .	35.4	100.00
7. In deferred payment guarantee sanctioned (excluding TNIIC)	11.3	100.00
8. Loans sanctioned to Small-scale Units since inception as a percentage of total loans sanctioned (as on 31-3-1970)	50.9	42.1
9. Loans outstanding to small units as a percentage of total loans outstanding as on 31-3-70 . .	49.3	36.7

VI. Incentives by Gujarat Small Industries Corporation Ltd.

The Gujarat Small Industries Corporation Ltd., (GSIC) has been sponsored by the Government of Gujarat to aid, counsel, assist and promote interests of small scale industries in the State which include all industrial units with a capital investment of not more than Rs. 75 lakhs irrespective of the number of persons employed. The Gujarat Small Industries Corporation has an authorised capital of Rs. 50 lakhs and the issued, subscribed and paid up capital is Rs. 14.31 lakhs.

One of the important functions of the Corporation consists in distribution of industrial raw materials to small scale industries. Presently, the Corporation is handling raw materials which are received from State Trading Corporation, Minerals & Metals Trading Corporation, Hindustan Steel Limited, Tata Iron and Steel Co. Ltd., the Tin Plate Co. of India etc. During the year ending 31st December 1970, the Corporation distributed various raw materials such as pig iron, iron and steel sheets of different types and other raw materials, such as structurals and ball bearings, chemicals etc., valued at about Rs. 5.89 crores to over 2,300 units all over Gujarat. With a view to facilitating easy procurement of supplies of raw materials by the small scale industries, the Corporation has set up depots at Ahmedabad, Rajkot, Baroda, Udhna, Bhavnagar and Jamnagar.

As a measure of assistance to the Small Scale units of the State, the Gujarat Small Industries Corporation Operates a scheme for supplying industrial machinery and machine tools on hire-purchase basis to small scale entrepreneurs. Since its inception the Corporation has delivered machinery worth about Rs. 45.5 lakhs to 228 units under the hire-purchase scheme. With a view to developing backward tracts in the State, the Government of Gujarat have evolved an integrated scheme for providing assistance to the entrepreneurs. Under this special scheme of hire-purchase, the corporation charges on concessional terms only 5 per cent towards earnest money and 3 per cent towards service charges.

To help the small scale units to overcome the difficulties in marketing their products, the Gujarat Small Industries Corporation has adopted a policy of purchasing a portion of its requirements directly from such industries. Besides, direct assistance is given through its marketing division, to small scale industries to sell their products to organisations like Railways, Gujarat Electricity Board, Gujarat Refinery, Oil & Natural Gas Commission and Director General of Supplies and Disposals. So far, goods worth Rs. 48.8 lakhs have been supplied against Government tenders on behalf of small scale industries.

Under its import assistance programme, the corporation has extended significant benefits to small scale industries by importing raw-materials worth Rs. 37.26 lakhs since its inception.

The Corporation is running a separate machine tools department with a view to extending expert advice and financial assistance to the small entrepreneurs in selecting quality machine tools. During 1970, the Corporation had supplied machinery and equipment worth Rs. 60.27 lakhs to 45 entrepreneurs.

The Government of Gujarat had introduced a package scheme of assistance to unemployed technicians/engineers in Gujarat. Under this scheme the Corporation supplies machinery on hire-purchase at concessional rate of interest of 7.5 per cent per annum and reduced rates of service charges of 5 per cent. The number of instalments have been increased to 13 spread over a period of 7 years. Applicants are not required to provide collateral security or third party guarantee under the Scheme.

VII. Incentives by Gujarat Industrial Development Corporation

The Gujarat Industrial Development Corporation has been conceived as a powerful instrument for laying a sound industrial base in Gujarat State. Established in August, 1962 the Gujarat Industrial Development Corporation, has now 58 industrial estates under its management. The Gujarat Industrial Development Corporation, is engaged in the task of providing the economic and social overhead and in conferring in so called infrastructure to the industrial units that can be located in the sheds within their estates.

So far 58 industrial estates/areas have been sanctioned by the Gujarat Industrial Development Corporation of which 32 are fully developed. Out of the remaining 26, but for 9 estates, land acquisition is completed and development work is in progress. 43 of such industrial estates are located in Urban areas.

The total land in possession of the Gujarat Industrial Development Corporation in all industrial estates is around 3,642 hectares against the present target of 4,322 hectares. The size of an industrial estate is widely varying from 202 hectares in rural areas to about 810 hectares as in Vapi.

Besides development of open plots, the Gujarat Industrial Development Corporation, has also undertaken disposal of plots with ready made sheds on a hire-purchase basis. Out of 1,905 sheds sanctioned as on 1st April, 1971, 700 are reported to have been completed, 900 are under construction and 1,290 are reported to have been disposed of. In all, there are 600 industrial units in production in the Gujarat Industrial Development Corporation estates.

A comparative study of the performance of the Gujarat Industrial Development Corporation in 1969 with similar institutions in other States, is given in the following table :—

State	No. of Estates
Mysore	21
Kerala	18
Punjab and Haryana	47
Tamil Nadu	37
Andhra Pradesh	36
Gujarat	58
(Additional 10 already sanctioned)	

सत्यमेव जयते

The number of sheds constructed by different states in the year 1969 are as under :—

State	No. of Sheds Constructed
Punjab and Haryana	895
Mysore	311
Tamil Nadu	518
Orissa	195
Kerala	513
Uttar Pradesh	1012
Gujarat : Sheds completed	700
Under construction	900
Work orders given	305

Plots are leased out on 99 years lease which can be renewed for another 99 years. A nominal lease rent of Rs. 1.20 per 1,000 sq. metre (Re. 1 per 1,000 sq. yards) per annum is charged. The premium price for the land allotted is fixed by the Corporation for each area keeping in mind the cost of land and the development expenditure. The total amount of the premium price is generally recovered in the following manner:—

(1) 12½ per cent before allotment;

(2) Another 12½ per cent in first two years with interest at 9 per cent in annual instalments; and

(3) Remaining 75 per cent over a period of remaining 10 years at 9 per cent interest per annum.

These conditions apply in the context of payment of the sheds as well.

The Gujarat Industrial Development Corporation Ltd., has also extended a long-term loan assistance of Rs. 1,001 lakhs during 1969-70 towards the development of different industrial areas.

The Gujarat Industrial Development Corporation supplements the financial assistance given by the Gujarat Industrial Investment Corporation, State Bank of India and other banks to technicians, engineers and craftsmen for setting up their own industry. The Gujarat Industrial Investment Corporation, has within a period of one year, sanctioned loans totalling more than Rs. 3½ crores to such technicians. In order to provide the matching requirements of infrastructure for setting up an industrial unit, the Gujarat Industrial Development Corporation has allotted during 1969-70, 92 sheds and 21 plots to such technicians who have been sanctioned loans.

As a part of its programme for initiating industrial development in rural areas the Gujarat Industrial Development Corporation decided to collaborate with the Gujarat Industrial Investment Corporation, in providing sheds for such rural workshops for which loan is sanctioned by the Gujarat Industrial Investment Corporation has sanctioned loan for workshop for about 100 persons of whom 35 have paid deposits in the Gujarat Industrial Development Corporation for sheds. The work of obtaining suitable land and constructing sheds is in progress.

VIII. Incentives by Gujarat Industrial Investment Corporation Limited

The Gujarat Industrial Investment Corporation was established on 12th August, 1968, as a public limited company. All the shares of the Corporation are held by the Government of Gujarat. The objectives of this Corporation are (1) Providing capital participation in companies, (2) Sponsoring and underwriting of new issues of shares and securities, (3) providing long term and medium term loans for fixed capital of partnership firms, proprietary concerns and companies, and (4) capital participation with commercial banks and other financial institutions.

The Gujarat Industrial Investment Corporation has been assisting large, medium and small industries in planning expansion of existing units, in effecting renovation and modernisation of economically weak units. In collaboration with financial institutions like Industrial Financial Corporation and Industrial Development Bureau of India at the all India level and the Gujarat State Financial Corporation and Commercial banks, the Gujarat Industrial Investment Corporation has been providing adequate financial assistance for investment purposes.

The Gujarat Industrial Investment Corporation provides financial assistance to industries by way of term loans and subscription for the public issue upto 75 per cent of the fixed assets created. Till 1970-71 since its inception, the Gujarat Industrial Investment Corporation has assisted 303 projects with a financial commitment of Rs. 11.58 crores. The technicians scheme has now been introduced. The Corporation does not insist on any contribution from the technicians either for the creation of assets or for the provision of working capital. No third party guarantee is also required. The rate of interest of loans under the technicians scheme is 5 per cent during the first two years and 9½ per cent thereafter. The repayment is spread over 16 half-yearly instalments after a moratorium of 2 years. The Corporation has assisted 585 projects with a total financial aid of the order of Rs. 4.51 crores till the end of March, 1971.

With a view to providing servicing facilities, the Gujarat Industrial Investment Corporation has promoted establishment of rural workshops. About 113 workshops have been established throughout the State for providing repairs and maintenance of tractors and oil engines. Under this scheme, an entrepreneur is provided with financial assistance to cover fixed assets and the rate of interest and other conditions are similar to the conditions laid down for the technicians' scheme. In all 113 rural workshops have been sanctioned at a cost of Rs 25.96 lakhs till the end of 1970-71.

IX. Incentives by Gujarat Agro-Industries Corporation Limited

The Corporation envisages four main types of activities : (1) manufacturing, processing and preservation, (2) trading, distribution and service, (3) managerial and technical service, and (4) assistance in procurement of finance for deserving schemes. The Corporation has set up agro-based service industries such as cold storage plants, fisheries complex, canning plants on its own.

X. Table VI below lists the total amount of assistance given by different Corporations upto March, 1971. The number of units assisted is 16,899. Excluding the GSIC, 2,024 units have been assisted. One estimate of the net increase in the number of registered factories in Gujarat during 1960-69 is 903 factories (based on Chief Inspector of Factories Data). GIDC had estimated that more than one agency assists in many cases the same unit. In 1970-71, on GIDC estates, 20-26% of total investments of the units came from the GIDC, 6.31% from GIIC, 3.95% from GSFC, 0.35% from GSEC, 12.98% from Banks and the remaining 56.15% came from own funds, private borrowings and other sources*. Thus the estimate of 2,024 units include double counting of units assisted by different Corporations. However, it seems, a large proportion of new units set up in the State are helped by one or the other of the State level Corporations.

TABLE VI

Assistance given by Different Corporations to Industrial Units upto March, 1973

Corporations	Reference period since inception	No. of units assisted	Assistance Given-Agg. (Rs. in Lakhs)	Assistance Given per unit (Rs.)
1. GSFC	1960-1971	1,976	1,674.72	84.752
2. GSIC	1962-1971	13,875	2,922.70	21.065
3. GIDC . .	1963-1971	441	N.A.[2]	N.A[3]
4. GIIC	1968-1971	60	769.31	126,740
TOTAL		16,889	N.A.	N.A.

*GIDC Economic Survey, Report No. 2.

Note.—(1) Flood loans given by GSFC to 931 units amounting to Rs. 55.76 lakhs during 1968-1971 are excluded here. This also excludes GAIC.

(2) Estimate for GIDC of progressive expenditure upto 1971 is Rs. 13,39.06 lakhs which includes expenditure on land acquisition, development and construction of sheds and quarters. Out of 1784 sheds in 1971, 1019 sheds were vacant. Sheds are given on hire purchase on varying interest charges and repayment periods. As such the above figure is an over estimate of total assistance given.

(3) N.A. = Not Available.

Source.—Annual Reports of GSFC, GSIC, GIDC and GIIC for the year 1970-71.

Table VII and VIII estimate the proportional activities of the GSFC and GIDC as classified by backward and other districts as on March, 1972. GSFC had disbursed 24.32% of its loan assistance in backward districts, while GIDC had incurred 6.48% of its progressive expenditure in backward districts (It may be noted that in the GSFC classification Jamnagar, Gandhinagar and Dangs are excluded from backward districts, while in the GIDC classification Junagadh and Jamnagar are also thus excluded).

TABLE VII

Classification of loans sanctioned and disbursed as on March ending 1972 among Backward and other dsitricts of Gujarat

Gujarat State Financial Corporation :

(Rs. in lakhs)

Districts	Applications Received		Applications Sanctioned		Loans/Applications Disbursed	
	Nos.	Amount (Rs.)	Nos.	Amount (Rs.)	Nos.	Amount (Rs.)
1. Backward Districts	1,987 (35.92)	1,700.54 (25.17)	1,193 (35.68)	777.80 (24.20)	851 (33.35)	532.78 (24.23)
2. Other Districts	3,545 (64.08)	5,056.66 (74.83)	2,151 (64.32)	2435.75 (75.80)	1,701 (66.65)	1,666.23 (75.77)
ALL DISTRICTS	5,532 (100.00)	6,757.20 (100.00)	3,344 (100.00)	3,213.55 (100.00)	2,552 (100.00)	2,199.01 (100.00)

Source.—Worked out on the basis of Statement No. 6

P.P.: 40-41 Twelfth Annual Report: GSFC.

Note.—(1) Figures in brackets refer to corresponding percentage distribution.
(2) This excludes Flood loans sanctioned amounting to Rs. 65.24 lakhs, disbursed Rs. 56.56 lakhs.

1. *Backward Districts:* Bhavnagar, Amreli, Junagadh, Kutch, Surendranagar, Banaskantha, Mehsana, Sabarkantha, Panchmahals, Broach,—(include also Dadra and Nagarhaveli).

2. *Other Districts:* Ahmedabad, Jamnagar, Rajkot, Gandhi Nagar, Kaira, Baroda, Surat, Dangs, Bulsar.

Average amount disbursed per Loan (Rs.)

1. Among Backward Districts	62,606
2. Among other Districts	97,956
3. Among all Districts	86,168

सत्यमेव जयते

TABLE VIII

Progressive Expenditure Incurred by Gujarat Industrial Development Corporation upto March ending 1971 *among Backward and other disricts of Gujarat*

Districts	No. of Estates/ Area	Progressive Exp. incurred up to March, 1971 (Rs. in lakhs)	No. of Sheds alloted to Firm/ Units up to March, 1970*	No. of Sheds available as on March 31, 1971**
1. Backward Districts . . .	14	86.75	88	92
		(6.48)	(11.50)	(9.02)
2. Other Districts . . .	27	1,252.31	677	927
		(83.52)	(88.50)	(90.98)
ALL DISTRICTS . . .	41	1,339.06	765	1,019
		(100.00)	(100.00)	(100.00)

(*Source* : Summarised from the Table : 2 pp. 48-50 Ninth Annual Report : 1970-71-GIDC)

Note:—Figures in brackets refer to percent distribution of progressive expenditure incurred, sheds allotted and sheds available to firms/units.

*Excludes sheds allotted to firms/units in Amreli, Kutch and Panchmahals district numbering in all 78.

**Excludes 7 sheds available to firms/units in Kutch and Panchmahals districts.

1. Backward Districts covered :—Bhavnagar, Surendranagar, Banaskantha, Mehsana and Sabarkantha.

2. Other Districts covered :—Ahmedabad, Junagadh, Jamnagar, Rajkot, Kaira, Baroda, Surat and Bulsar.

APPENDIX

Percentage Distribution of Workers in Registered Factories among Districts of

Industry Group		Ahmedabad		Bhavnagar		Amreli		Junagadh	
		1960	1969	1960	1969	1960	1969	1960	1969
		1		2		3		4	
010	R	13.73	9.46	2.43	2.50	0.16	0.09	2.78	3.68
	C	2.32	2.04	6.87	7.12	3.57	1.58	11.81	9.92
202	R	17.36	17.60	6.11	..	..	..	..	..
	C	0.04	0.24	0.21	..	..	..	..	..
203	R	..	43.84	..	..	..	..	..	..
	C	..	0.02	..	..	..	..	..	..
205	R	27.99	3.91	1.09	0.59		..	..	..
	C	0.30	0.18	0.16	0.35	..	..	..	..
206	R	26.83	63.67	..	..	..	..	..	..
	C	0.01	0.10	..	..	..	..	..	..
207	R	..	..	..	1.09	50.81	23.20	..	35.21
	C	..	..	..	0.26	34.46	32.82	..	8.09
208	R	76.74	80.44	..	..	..	..	..	..
	C	0.02	0.02	..	..	..	..	..	..
209	R	2.08	4.07	8.85	8.77	4.81	5.75	16.02	17.42
	C	0.21	0.53	12.49	15.10	52.30	57.78	33.95	28.42
214	R	48.03	49.40	..	..	..	..	..	..
	C	0.04	0.10	..	..	..	..	..	..
220	R	0.83	0.62	1.82	1.75	..	..	..	..
	C	0.03	0.02	0.87	0.79	..	..	..	..
231	R	76.93	68.67	3.08	2.02	0.05	0.03	0.94	1.18
	C	82.71	75.90	45.68	29.45	5.26	2.24	20.94	16.33
232	R	100.00	100.00	..	..	..	..	..	..
	C	0.18	0.25	..	..	..	..	..	..
233	R	83.25	56.41	13.20	23.50	..	..	3.55	4.70
	C	0.10	0.08	0.22	0.44	..	..	0.09	0.08
239	R	2.74	19.55	..	..	..	..	..	
	C	0.02	0.13	..	..	..	..	..	..
241	R	..	44.44	..	..	..	..	..	..
	C	..	0.02	..	..	..	..	..	..
243	R	63.51	30.86	..	..	..	..	..	..
	C	0.08	0.08	..	..	..	..	..	..
244	R	78.81	..	..	..	..	..	..	..
	C	0.07	..	..	..	..	..	..	..

TABLE I

Gujarat by Industry Groups (3 — *digit level*) : 1960 *and* 1969

Jamnagar		Kutch		Rajkot		Surendranagar		Banaskantha		Mehsana	
1960	1969	1960	1969	1960	1969	1960	1969	1960	1969	1960	1969
5		6		7		8		9		10	
1.06	0.95	1.51	1.00	5.23	5.17	9.88	9.79	..	..	6.40	6.09
3.52	2.79	19.19	9.13	16.10	11.36	33.66	29.82	..	..	16.64	16.75
..	..	..	..	.93	6.42	..	..	..	..	..	13.05
..	..	..	..	0.11	1.16	..	..	..	..	..	2.26
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	0.32	..	0.17	1.95	0.93	0.81	0.29	..	..	4.66	0.99
..	0.20	..	0.33	0.31	0.43	0.14	0.19	..	..	0.63	0.57
..	..	..	..	..	4.08	..	..	..	..	..	..
..	..	..	..	..	0.76	..	..	..	..	..	..
..	..	..	..	..	4.05	..	..	..	..	..	..
..	..	..	..	..	0.76	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
20.81	20.61	9.51	10.62	12.58	12.68	10.12	8.29	0.52	..	0.80	0.34
34.65	36.65	60.45	58.46	19.34	16.86	17.20	15.29	20.47	..	1.04	0.57
..	..	..	..	3.94	24.70	..	..	..	..	..	..
..	..	..	..	0.05	0.51	..	..	..	..	..	..
..	..	..	..	..	.	..	..	..	..	15.72	4.54
..	..	..	..	..	..	..		..	..	6.88	1.98
0.53	0.59	0.02	0.17	1.26	1.07	0.85	0.96	..	..	4.18	4.08
9.20	8.83	1.48	7.96	20.35	12.08	15.19	14.96	..	..	56.98	57.39
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	5.98	..	..	..	9.40
..	..	..	..	..	..	..	0.12	..	..	..	0.17
..	17.50	..	1.16	13.17	..	..	..	..	..	1.46	..
..	1.62	..	0.33	1.38	..	..	..	..	..	0.12	..
..	..	..	..	100.00	55.56	..	..	..	..	..	..
..	..	..	..	0.45	0.22	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	[illegible].19	100.00	..	..
..	..	..	..	..	..	..	..	7.53	15.52	..	..

Industry Group		Gandhinagar		Sabarkantha		Kaira		Panchmahals	
		1960	1969	1960	1969	1960	1969	1960	1969
1		11		12		13		14	
010	R	..	0.66	9.14	7.25	4.88	4.24	0.64	1.33
	C	..	67.63	77.70	72.42	9.51	6.37	4.35	9.76
202	R	..	..	..	..	73.59	35.64	..	..
	C	..	..	..	..	1.75	3.37	..	..
203	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
205	R	..	..	1.38	..	8.39	1.85	22.70	4.00
	C	..	..	0.61	..	0.85	0.59	8.02	6.19
206	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
207	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
208	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
209	R	..	..	3.80	1.68	2.67	2.23	3.09	2.03
	C	..	..	16.10	10.70	2.60	2.03	10.49	9.06
214	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
220	R	..	..	..	..	68.51	79.27	..	..
	C	..	..	..	..	22.49	18.83	..	..
231	R	..	..	..	0.13	4.42	3.88	..	..
	C	..	..	..	6.75	45.17	29.14	..	..
232	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
233	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
239	R	..	..	..	..	1.19	8.66	..	..
	C	..	..	..	..	0.08	0.41	..	..
241	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
243	R	..	..	..	..	..	11.14	..	..
	C	..	..	..	..	..	0.20	..	..
244	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..

सत्यमेव जयते

Baroda		Broach		Surat		Dangs		Bulsar		Gujarat	
1960	1969	1960	1969	1960	1969	1960	1969	1960	1969	1960	1969
15		16		17		18		19		20	
16.85	21.15	13.72	16.99	0.63	8.17	..	..	0.95	1.48	100.00	100.00
20.26	16.26	64.34	62.31	34.20	9.30	..	..	4.15	2.60	10.79	9.13
..	14.08	..	..	..	11.22	..	..	..	..	100.00	100.00
..	0.68	..	..	..	0.80	..	..	..	..	0.13	0.58
100.00	56.16	..	..	..	..	..	..	..	..	100.00	100.00
0.05	0.09	..	..	..	..	..	..	..	..	N	0.02
12.18	1.57	..	0.20	17.99	4.76	..	..	0.80	0.43	100.00	100.00
0.76	0.26	..	0.15	3.00	1.14	..	..	0.18	0.16	0.56	0.92
..	4.49	..	..	..	3.27	..	..	13.17	24.49	100.00	100.00
..	0.02	..	..	..	0.03	..	..	0.39	0.30	0.01	0.06
..	..	..	..	27.56	19.74	..	..	21.63	16.72	100.00	100.00
..	..	..	..	2.76	1.92	..	..	2.94	2.51	0.34	0.78
..	..	..	..	32.26	19.57	..	..	..	..	100.00	100.00
..	..	..	..	0.10	0.03	..	..	..	..	0.01	0.01
1.34	1.86	0.16	0.12	1.11	1.95	..	..	1.74	1.55	100.00	100.00
0.80	0.87	0.38	0.27	1.78	0.34	..	..	3.80	1.65	5.39	5.53
12.60	4.52	..	..	35.43	21.39	..	..	..	..	100.00	100.00
0.06	0.03	..	..	0.43	0.23	..	..	..	..	0.04	0.09
11.60	13.22	..	..	1.52	0.60	..	..	..	..	100.00	100.00
2.35	1.61	..	..	0.82	0.11	..	..	..	..	1.82	1.45
4.94	3.85	1.24	1.41	0.67	8.00	..	..	0.89	3.96	100.00	100.00
31.16	15.13	30.48	26.49	11.28	46.56	..	..	20.48	35.67	56.57	46.71
..	..	..	..	..	..	..	..	..	..	100.00	100.00
..	..	..	..	..	..	..	..	..	..	0.10	0.11
..	..	..	..	..	..	..	..	..	..	100.00	100.00
..	..	..	..	..	..	..	..	..	..	0.06	0.06
..	2.59	..	..	51.41	13.57	..	..	29.44	36.96	100.00	100.00
..	0.06	..	..	5.41	0.48	..	..	4.21	2.04	0.35	0.29
..	..	..	..	..	..	..	..	..	..	100.00	100.00
..	..	..	..	..	..	..	..	..	..	0.02	0.02
13.27	..	..	..	13.27	..	..	..	9.95	58.01	100.00	100.00
0.10	..	..	..	0.27	..	..	..	0.27	1.23	0.07	0.11
..	..	..	..	..	..	..	..	..	..	100.00	100.00
..	..	..	..	..	..	..	..	..	..	0.05	0.01

N—Negligible.

		1		2		3		4	
250	R	32.82	38.58	2.97	3.85	..	..	..	..
	C	0.75	0.75	0.94	0.99	..	..	..	..
260	R	22.22	68.39	..	11.00	..	..	..	..
	C	0.02	0.12	..	0.26	..	..	..	..
271	R	49.31	11.45	0.85	..	..	..	..	..
	C	0.50	0.23	0.12	..	..	..	..	..
280	R	49.99	48.40	4.87	5.87	..	..	0.08	..
	C	1.10	1.33	1.48	2.12	..	..	0.04	..
291	R	58.18	46.99	..	..	..	..	12.73	22.89
	C	0.02	0.02	..	..	..	..	0.09	0.14
292	R	52.46	47.70	..	10.68	..	..	..	..
	C	0.10	0.21	..	0.63	..	..	..	..
300	R	8.17	25.71	33.86	18.80	..	..	..	..
	C	0.05	0.21	2.69	2.00	..	..	..	.
311	R	19.26	12.67	2.99	2.76	..	..	13.97	19.52
	C	0.83	0.70	1.77	2.02	..	..	12.43	13.54
319	R	4.39	12.49	2.41	1.74	..	..	..	0.89
	C	0.12	0.92	0.88	1.69	..	..	..	0.82
321	R	9.60	4.37	..	..	..	..	..	..
	C	0.05	0.03	..	..	..	..	..	..
331	R	44.81	16.29	3.70	5.12	..	..	5.10	1.53
	C	2.39	1.02	2.72	4.21	..	..	5.63	1.20
332	R	..	0.57	..	..	..	..	..	..
	C	..	0.01	..	..	..	..	..	..
333	R	..	10.54	12.26	12.08	..	..	7.19	3.56
	C	..	0.22	2.14	2.33	..	..	1.88	0.93
334	R	..	..	1.79	..	..	..	19.70	34.55
	C	..	..	0.16	..	..	..	2.64	8.55
339	R	14.44	19.91	8.95	6.90	0.57	0.56	1.59	6.36
	C	0.23	0.54	1.99	2.44	0.97	1.16	0.53	2.13
341	R	30.29	46.71	12.03	5.64	..	..	..	..
	C	0.21	1.85	1.15	2.94	..	..	..	..
342	R	28.10	29.45	..	..	..	..	..	..
	C	0.22	0.31	..	..	..	..	..	..
350	R	30.08	29.69	8.74	6.70	..	..	2.24	1.88
	C	0.45	1.28	1.81	2.79	..	..	0.70	1.01
360	R	48.82	34.35	6.89	2.49	0.03	..	0.64	0.61
	C	3.45	5.90	6.72	5.62	0.26	..	0.94	1.30
370	R	27.27	16.19	..	0.50	..	..	..	..
	C	0.04	0.53	..	0.22	..	..	..	..
381	R	..	..	16.90	.72	..	..	13.24	3.01
	C	..	..	0.31	1.54	..	..	0.37	0,28

5		6		7		8		9		10	
0.73	..	..	..	..	0.56	..	..	0.59	..	28.21	26.53
0.28	..	..	..	..	0.11	..	..	5.18	..	8.16	6.59
10.18	..	..	..	..	11.34	..	..	..	..	..	..
0.11	..	..	..	..	0.20	..	..	..	..	..	..
..	..	..	..	5.49	8.15	..	0.34	3.38	1.05	..	..
..	..	..	..	0.83	1.63	..	0.09	13.18	10.15	..	..
..	..	0.19	0.35	10.39	11.81	0.28	..	..	..	..	..
..	..	0.27	0.41	3.44	3.30	0.10	..	..		..	..
..	..	..	..	..	30.12	..	..		..	..	..
..	..	..	..	..	0.15	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	8.53	3.11
..	..	..	..	..	..	..	..	..	..	0.20	0.18
..	..	..	4.59	1.70	0.38	..	..	..	..	2.66	..
..	..	..	1.56	0.15	0.03	..	..	..	..	0.19	..
26.81	14.88	..	..	1.08	..	13.96	14.35	..	..	0.73	..
18.74	11.25	..	..	0.70	..	9.96	11.25	..	..	0.40	..
..	0.47	..	0.72	1.82	0.82	0.28	0.07	0.21	..	..	0.54
..	0.47	..	2.25	0.72	0.62	0.12	0.08	2.12	..	..	0.14
37.58	14.48	36.74	12.50	6.48	1.29	..	..	..	..	..	..
3.11	1.20	11.60	3.22	0.50	0.08	..	..	..	..	..	..
1.07	..	1.25	0.16	2.42	8.65	0.22	0.57	..	..	0.33	..
0.92	..	4.13	0.41	1.93	5.50	0.19	0.50	..	..	0.22	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
18.82	..	..	..	20.46	19.46	35.18	41.82	..	..	..	1.94
3.88	..	..	..	3.89	4.14	7.40	12.34	..	..	..	0.52
78.51	43.34	..	..	..	..	..	..	..	..	..	..
8.28	11.70	..	..	..	..	..	..	..	..	..	..
3.41	4.06	..	1.85	8.57	7.15	0.91	..	..	0.27	0.42	4.94
0.89	1.48	..	2.09	2.07	1.96	0.24	..	..	3.58	0.09	1.6
2.11	2.65	..	..	1.67	8.67	..	1.22	..	..	..	0.24
0.24	1.43	..	..	0.17	3.49	..	0.68	..	..	..	0.12
..	1.29	..	..	..	1.00	..	2.22	..	..	0.55	..
..	0.18	..	..	..	0.10	..	0.32	..	..	0.05	..
5.24	17.33	..	1.78	17.89	8.26	3.01	1.98	..	..	8.33	0.07
1.28	10.12	..	3.21	4.03	3.61	0.75	1.20	..	..	1.59	0.09
2.44	1.75	..	0.09	6.02	10.75	2.70	4.42	0.29	0.04	1.68	2.29
2.81	4.09	..	0.66	6.39	18.78	3.17	10.70	8.00	3.28	1.51	5.0
22.73	2.05	..	..	2.89	1.53	..	..	..	..	..	0.08
0.35	0.91	..	..	0.06	0.51	..	..	..	..	..	0.03
54.34	9.53	..	8.96	25.53	4.07	..	..	..	..	..	..
1.18	0.96	..	2.81	0.31	0.31	..	..	..	..	..	..

		11		12		13		14	
250	R	..	1.12	..	..	..	0.19	..	..
	C	..	10.41	..	..	..	0.03	..	..
260	R	..	..	..	..	..	4.47	..	..
	C	..	..	..	..	..	0.06	..	..
271	R	..	..	..	..	3.86	6.82	..	..
	C	..	..	..	..	0.37	0.93	..	..
280	R	..	..	0.53	0.66	1.33	2.67	0.14	0.46
	C	..	..	0.48	0.84	0.28	0.51	0.10	0.43
291	R	..	..	..	..	..	..	29.09	..
	C	..	..	..	..	..	..	0.32	..
292	R	..	..	..	..	24.59	5.68	..	..
	C	..	..	..	..	0.44	0.18	..	..
300	R	..	..	..	..	..	2.56	..	..
	C	..	..	..	..	..	0.14	..	..
311	R	..	..	..	..	4.18	3.44	..	1.00
	C	..	..	..	..	1.71	1.33	..	1.90
319	R	..	..	..	..	2.02	1.01	..	..
	C	..	..	..	..	0.51	0.52	..	..
321	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
331	R	..	0.74	..	..	6.03	9.94	..	1.34
	C	..	21.97	..	..	3.05	4.31	..	2.85
332	R	..	..	..	..	1.91	15.35	18.06	6.63
	C	..	..	..	..	0.14	1.94	4.60	4.11
333	R	..	..	..	1.10	..	4.32	6.08	1.91
	C	..	..	..	1.06	..	0.63	2.55	1.36
334	R	..	..	..	..	..	22.11	..	..
	C	..	..	..	..	..	3.05	..	..
339	R	..	..	4.93	1.17	37.87	25.91	7.66	6.40
	C	..	..	3.29	1.46	5.80	4.84	4.09	5.86
341	R	..	..	..	0.34	..	3.31	..	1.09
	C	..	..	..	0.62	..	0.91	..	1.46
342	R	..	..	..	..	2.26	1.05	..	..
	C	..	..	..	..	0.17	0.08	..	..
350	R	..	..	..	..	4.72	2.65	..	..
	C	..	..	..	..	0.67	0.79	..	..
360	R	..	..	..	..	2.86	8.42	..	..
	C	..	..	..	..	1.92	10.04	..	..
370	R	..	..	..	..	16.12	19.87	..	..
	C	..	..	..	..	0.23	4.49	..	..
381	R	..	..	..	..	..	58.71	..	..
	C	..	..	..	..	..	3.03	..	..

सत्यमेव जयते

15		16		17		18		19		20	
1.15	3.48	..	..	16.97	1.77	0.46	1.21	16.09	22.71	100.00	100.00
0.15	0.24	..	..	6.08	0.18	100.00	100.00	7.83	3.61	1.20	0.82
39.82	..	..	..	27.78	4.81	..	..	..	..	0.00	100.00
0.15	..	..	..	0.29	0.04	..	..	..	..	0.03	0.07
..	5.74	..	..	18.83	27.38	..	..	18.29	39.07	100.00	100.00
..	0.40	..	..	2.99	2.83	..	..	3.95	6.25	0.53	0.83
24.79	23.23	..	..	5.93	5.74	..	..	1.50	0.80	100.00	100.00
3.21	2.67	..	..	2.05	0.83	..	..	0.70	0.18	1.16	1.16
..	..	..	..	..	..	..	..	..	..	100.00	100.00
..	..	..	..	..	..	..	..	..	..	0.02	0.02
..	..	14.43	32.84	..	..	..	..	..	..	100.00	100.00
..	..	0.62	2.50	..	..	..	..	..	..	. 10	0.19
52.65	36.47	..	..	0.96	5.04	..	..	..	6.47	100.00	100.00
1.78	1.05	..	..	0.09	0.21	..	..	..	0.43	00.30	0.34
14.40	10.00	2.05	..	0.40	19.48	..	..	0.20	1.90	100.00	100.00
3.63	1.98	2.0	..	0.27	5.71	..	..	0.18	0.86	2.26	2.35
59.99	58.30	..	1.43	6.41	2.12	..	..	22.50	19.38	100.00	100.00
9.36	15.35	..	1.80	2.68	0.83	..	..	12.76	11.68	1.40	3.13
1.44	65.48	..	..	8.16	1.89	..	..	..	..	1 00.00	100.00
0.04	1.42	..	..	0.65	0.06	..	..	..	..	0.27	0.26
41.94	13.07	0.80	1.12	11.39	26.29	..	..	10.94	15.19	100.00	100.00
3.73	2.91	0.98	1.19	9.52	8.65	..	..	12.42	7.73	..	2.64
80.03	75.86	..	..	..	1.60	..	..	..	..	100.00	100.00
3.60	4.91	..	..	..	0.15	..	..	..	..	0.40	0.77
..	1.59	..	..	..	..	..	..	..	1.68	100.00	100.00
..	0.12	..	..	..	..	..	..	..	0.29	0.66	0.88
..	..	..	..	..	..	..	..	..	..	100.00	100.00
..	..	..	..	..	..	..	..	..	..	0.34	0.84
9.36	9.49	..	1.78	0.53	1.96	..	..	0.80	1.29	100.00	100.00
0.89	0.91	..	0.81	0.13	0.28	..	..	0.27	0.28	0.85	1.14
43.81	15.95	..	..	4.92	7.71	..	..	5.18	6.48	100.00	100.00
1.79	2.25	..	..	0.54	1.61	..	..	0.77	2.09	0.37	1.57
0.86	19.67	..	..	31.15	19.20	..	..	37.08	26.11	100.00	100.00
0.04	0.72	..	..	3.83	1.05	..	..	6.19	2.20	0.41	0.44
5.12	13.72	..	0.56	8.54	12.29	..	..	6.10	3.01	100.00	100.00
0.41	2.10	..	0.41	2.01	2.78	..	..	1.95	1.05	0.79	1.72
20.18	26.41	..	..	2.57	5.29	..	..	4.86	3.06	100.00	100.00
8.37	16.13	..	..	2.86	4.78	..	..	7.33	4.29	3.72	7.15
18.60	52.30	..	..	7.85	4.77	..	..	4.55	2.72	100.00	100.00
0.16	6.06	..	..	0.18	0.82	..	..	0.14	0.72	0.08	1.12
..	..	..	..	..	..	..	..	..	..	100.00	100.00
..	..	..	..	..	..	..	..	..	..	0.07	0.31

		1		2		3		4	
382	R	16.74	18.13	7.91	9.60	..	..	4.14	4.13
	C	0.76	0.68	4.97	4.73	..	..	3.91	1.93
383	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
384	R	49.77	43.66	1.10	4.80	0.66	1.19	3.26	5.15
	C	1.19	1.97	0.36	2.86	1.69	4.14	1.62	2.90
385	R	60.00	..	..	..	..	..	..	..
	C	0.01	..	..	..	..	..	..	..
389	R	4.33	23.08	..	..	..	..	..	..
	C	N	0.01	..	..	..	..	..	..
391	R	..	14.16	..	..	..	..	..	..
	C	..	0.03	..	..	..	..	..	..
392	R	18.83	26.07	..	2.14	..	..	..	..
	C	0.0	0.07	..	0.08	..	..	..	..
393	R	16.81	11.70	..	..	..	..	..	..
	C	0.01	0.04	..	..	..	..	..	..
395	R	..	2.32	..	..	..	..	..	..
	C	..	0.04	..	..	..	..	..	..
396	R	..	..	21.80	..	..	..	..	..
	C	..	..	0.14	..	..	..	..	..
399	R	9.70	22.76	6.06	15.53	..	..	..	..
	C	0.17	0.44	1.45	3.91	..	..	..	..
511	R	30.08	38.97	6.13	2.94	0.75	0.22	6.32	10.85
	C	0.56	0.64	1.57	0.64	1.49	0.28	2.44	2.23
512	R	100.00	78.57	..	13.74	..	..	..	..
	C	0.03	0.09	..	0.30	..	..	..	..
521	R	47.83	32.92	6.52	10.00	..	..	..	11.25
	C	0.04	0.05	0.08	0.19	..	..	..	0.20
522	R	35.48	28.26	5.16	5.98	..	..	..	..
	C	0.03	0.03	0.07	0.09	..	..	..	..
844	R	37.93	83.33	..	..	..	..	..	..
	C	0.01	0.03	..	..	..	..	..	..
ALL GROUPS	R	52.62	42.26	3.82	3.21	0.49	0.55	2.54	3.39
	C	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

N—Negligible.

5		6		7		8		9		10	
2.92	3.66	..	..	10.93	9.45	..	..	..	..	2.17	..
2.18	1.86	..	..	7.48	3.60	..	..	..	..	1.25	..
..	..	..	..	..	..	..	100.00	..	..	..	..
..	..	..	..	..	..	..	0.12	..	..	..	..
2.07	1.33	..	2.67	5.89	4.27	..	0.46	3.11	2.01	4.16	5.09
0.81	0.82	..	5.08	2.12	1.96	..	0.29	28.71	44.78	1.26	2.93
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	10.20	..	..	..	..	..	64.87	..	..	..	..
..	0.30	..	..	..	..	..	1.96	..	..	..	..
..	..	..	..	..	..	5.52	2.35	..	..	..	..
..	..	..	..	..	..	0.17	0.09	..	..	..	..
..	..	..	..	83.19	75.66	..	..	..	..	..	..
	..	..	..	0.86	2.47	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	0.28	..	..
..	..	..	..	..	..	..	..	..	2.39	..	..
..	..	..	..	78.20	13.27	..	..	..	..	..	..
..	..	..	..	0.56	0.16	..	..	..	..	..	..
11.85	7.04	..	0.29	13.01	12.77	38.82	..	..	1.62	9.34	9.00
3.34	1.83	..	0.23	3.38	2.49	11.17	..	..	15.17	2.05	2.19
13.34	5.92	2.49	2.68	7.50	6.84	1.74	..	2.06	0.63	3.11	.10
4.04	1.33	2.88	1.86	2.10	1.15	0.54	..	14.82	5.07	0.74	0.44
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	10.42	..	..	..	..	..	..
..	..	..	..	..	0.15	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	39.66	16.67	..	..	..	..	..	..
..	..	..	..	0.21	0.07	..	..	..	..	..	..
3.23	3.11	0.84	1.00	3.50	4.15	3.17	3.00	0.14	0.09	4.15	3.32
100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

R—Row-wise percentage.

C—Columnwise percentage.

NOTE :—Worked out on the basis of CIF Data.

		11		12		13		14	
382	R	..	..	..	..	..	..	39.52	40.06
	C	..	..	..	..	..	..	59.70	51.08
383	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
384	R	..	..	1.58	3.21	8.50	..	2.07	2.21
	C	..	..	1.57	6.69	1.93	..	1.64	3.41
385	R	..	..	..	..	..	64.07	..	..
	C	..	..	..	..	..	0.45	..	..
389	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
391	R	..	..	..	..	..	1.98	..	..
	C	..	..	..	..	..	0.03	..	..
392	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
393	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
395	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
396	R	..	..	..	..	..	24.49	..	62.25
	C	..	..	..	..	..	0.20	..	2.52
399	R	..	..	..	..	..	..	3.24	..
	C	..	..	..	..	..	..	1.86	..
511	R	..	..	0.33	..	1.44	..	3.70	..
	C	..	..	0.25	..	0.26	..	2.29	..
512	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
521	R	..	..	..	..	9.42	..	..	..
	C	..	..	..	..	0.08	..	..	..
522	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
844	R	..	..	..	..	..	..	..	..
	C	..	..	..	..	..	..	..	..
ALL GROUPS	R	..	0.09	1.27	0.91	5.54	6.08	1.59	1.24
	C	..	100.00	100.00	100.00	100.00	100.00	100.00	100.00

15		16		17		18		19		20	
14.61	13.90	..	..	0.37	..	..	..	0.68	1.07	100.00	100.00
3.91	1.85	..	..	0.27	..	..	..	0.66	0.33	2.40	1.58
..	..	..	..	..	..	..	..	..	..	..	100.00
..	..	..	..	..	..	..	..	..	..	..	0.04
7.68	9.14	0.94	4.16	4.00	8.64	..	..	5.20	2.01	100.00	100.00
1.08	1.47	0.52	3.19	1.51	2.06	..	..	2.66	0.74	1.26	1.91
..	35.93	..	..	40.00	..	..	..	..	..	100.00	100.00
..	0.13	..	..	0.10	..	..	..	..	..	0.01	0.04
95.67	..	..	..	..	76.92	..	..	..	..	100.00	100.00
0.71	..	..	..	..	0.16	..	..	..	..	0.07	0.02
..	..	..	..	..	..	..	..	..	8.78	..	100.00
..	..	..	..	..	..	..	..	..	0.15	..	0.09
75.65	63.03	..	..	..	4.27	..	..	..	2.14	100.00	100.00
0.84	0.64	..	..	..	0.06	..	..	..	0.05	0.10	0.12
..	..	..	..	..	11.51	..	..	..	1.13	100.00	100.00
..	..	..	..	..	0.20	..	..	..	0.03	0.04	0.14
..	..	..	..	47.22	28.19	..	..	62.78	69.22	100.00	100.00
..	..	..	..	0.16	2.56	..	..	0.25	9.74	0.01	0.76
..	..	..	..	..	..	..	..	..	..	100.00	100.00
..	..	..	..	..	..	..	..	..	..	0.03	0.05
0.99	23.55	..	..	3.81	3.07	..	..	3.17	4.37	100.00	100.00
0.10	1.60	..	..	1.04	0.31	..	..	1.17	0.68	0.91	0.81
0.98	3.46	1.01	3.13	0.38	18.71	..	..	10.06	3.57	100.00	100.00
0.11	0.20	0.68	0.87	2.45	1.63	..	..	4.00	0.48	0.90	0.70
..	7.69	..	..	..	..	..	..	..	..	100.00	100.00
..	0.03	..	..	..	..	..	..	..	..	0.01	0.05
21.01	9.58	..	..	7.97	25.83	..	..	7.25	..	100.00	100.00
0.10	0.05	..	..	0.11	0.20	..	..	0.13	..	0.04	0.06
47.10	50.00	..	..	6.45	15.76	..	..	5.81	..	100.00	100.00
0.26	0.20	..	..	0.10	0.09	..	..	0.12	..	0.05	0.05
..	..	..	..	12.07	..	..	..	10.35	..	100.00	100.00
..	..	..	..	0.07	..	..	..	0.08	..	0.02	0.02
8.97	11.88	2.30	2.49	3.35	8.03	0.01	0.01	2.47	5.19	100.00	100.00
100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

R—Row-wise percentage.

C—Column-wise percentage.

NOTE :—Worked out on the basis of CIF Data.

Compound Rate of Growth Workers of per annum (per cent) by

Industry Group Code	Ahmedabad	Bhavnagar	Amreli	Junagadh	Jamnagar	Kutch	Rajkot	Surendranagar	Banaskantha	Mehsana
1	2	3	4	5	6	7	8	9	10	11
010 .	—3.08	0.89	—4.70	3.45	—0.46	—3.40	0.48	0.51	..	0.09
202 .	18.72	b	..	..	..	..	31.74	..	..	a
203 .	a	..	..	..	..	..	..	..	..	..
205 .	—4.95	8.76	..	..	a	a	7.49	4.62	..	—0.90
206 .	30.37	..	..	..	..	..	a	..	..	..
207 .	..	a	2.87	a	..	..	a	..	..	..
208 .	1.15	..	..	..	..	..	..	..	..	..
209 .	9.68	2.47	4.41	3.42	2.46	3.69	2.53	0.53	b	—5.76
214 .	10.40	..	..	..	..	..	32.28	..	..	..
220 .	—2.90	—0.39	..	..	..	..	..	..	..	—11.70
231 .	0.78	—3.78	—5.10	2.69	1.46	23.11	—1.24	1.58	..	0.10
232 .	3.46	..	..	..	..	..	..	..	..	..
233 .	—2.15	7.78	..	4.62	..	..	..	a	..	a
239 .	21.99	..	..	..	a	a	b	..	..	b
241 .	a	..	..	..	..	..	—3.31	..	..	..
243 .	—0.07	..	..	..	..	..	..	..	..	..
244 .	b	..	..	..	..	..	..	..	4.97	..
250 .	0.13	1.11	..	..	b	..	a	..	b	—2.08
260 .	23.56	a	..	..	b	..	a	..	..	..
271 .	—7.59	b	..	..	..	..	11.24	a	—4.87	..
280 .	1.96	4.22	..	b	..	8.62	3.62	b	..	..
291 .	2.00	..	..	10.50	..	..	a	..	..	..
292 .	8.23	..	..	..	..	..	..	..	..	1.22
300 .	16.08	—2.41	..	..	..	a	—10.98	..	..	b
311 .	—1.52	1.88	..	6.18	—3.18	..	b	2.97	..	b
319 .	23.09	7.23	..	a	a	a	2.38	—2.84	b	a
321 .	—5.80	..	..	..	—7.34	—8.49	—13.27	..	..	..
331 .	—8.09	5.04	..	9.84	b	—17.46	15.51	12.00	..	b
332 .	a	..	..	..	..	..	..	..	..	..
333 .	a	5.08	..	1.90	b	..	4.71	7.07	..	a
334 .	..	b	..	18.39	5.47	..	..	..	..	..
339 .	8.77	2.63	5.24	20.98	7.18	a	3.44	b	a	34.87
341 .	24.35	10.39	..	..	21.84	..	40.41	a	..	a
342 .	3.40	..	..	..	a	..	a	a	..	b
350 .	11.01	8.25	..	9.23	25.27	a	2.89	6.58	..	—24.71
360 .	5.59	—1.24	b	8.80	5.77	a	15.89	14.91	—10.67	12.76

TABLE II

Industry Groups (3-digit level) and District of Gujarat : 1960-1969

Gandhinagar	Sabarkantha	Kaira	Panchmahals	Baroda	Broach	Surat	Dangs	Bulsar	Gujarat State
12	13	14	15	16	17	18	19	20	21
a	—1.70	—0.80	8.20	—2.91	2.77	—2.01	..	5.15	0.60
..	..	10.27	..	a	..	a	..	..	18.56
..	..	..	..	11.34	..	..	..	..	17.96
..	b	—0.49	—2.74	—5.69	a	1.32	..	8.62	15.73
..	..	..	..	a	..	a	..	7.18	19·57
..	..	..	..	..	..	7.62	..	8.44	11.27
..	..	..	..	..	..	—1.05	..	..	0.68
..	5.45	0.73	—1.64	6.02	—0.38	8.51	..	1.35	2.55
..	..	..	..	—0.64	..	4.67	..	..	10.09
..	..	1.45	..	1.29	..	—8.86	..	..	—0.02
..	a	—0.96	..	—2.13	1.67	28.63	..	16.47	0.35
..	..	..	..	..	..	..	..	..	3.46
..	..	..	..	..	..	..	..	..	1.74
..	..	22.26	..	a	..	—12.29	..	2.51	0.21
..	..	..	..	..	..	..	..	..	2.54
..	..	a	..	b	..	b	..	28.11	7.40
..	..	..	..	..	..	..	..	..	—10.11
a	..	a	..	10.05	..	—21.41	8.66	1.98	1.48
..	..	a	..	b	..	—7.34	..	..	10.42
..	..	13.19	..	a	..	11.01	..	15.37	6.94
..	4.67	9.69	15.43	1.63	..	1.97	..	—3.97	2.29
..	..	..	b	..	..	..	..	..	4.20
..	..	—5.63	..	..	18.64	..	..	..	9.27
..	..	..	..	—0.22	..	22.23	..	a	3.51
..	..	0.72	a	—0.99	b	51.53	..	28.66	2.69
..	..	3.40	..	10.54	a	—0.74	..	9.21	10.86
..	..	..	..	49.29	..	—11.97	..	..	1.92
a	..	6.90	a	2.62	5.18	10.56	..	5.08	1.69
..	..	34.38	—1.31	8.52	..	a	..	..	9.10
..	a	a	—6.26	a	..	..	..	a	5.24
..	..	a	..	..	..	..	..	..	11.93
..	—8.76	1.41	3.47	5.48	a	20.04	..	10.50	5.33
..	a	a	a	7.63	..	24.55	..	21.77	19.08
..	..	—4.66	..	40.76	..	—1.94	..	0.63	2.92
..	..	4.95	..	22.67	a	15.29	..	3.57	11.16
..	..	21.83	..	12.34	..	17.52	..	4.42	9.36

1	2	3	4	5	6	7	8	9	10	11
370 .	29.40	a	..	..	7.18	..	27.90	..	..	a
381 .	..	17.96	..	2.47	—0.17	a	3.93	..	..	..
382 .	—1.08	0.05	..	—1.90	0.31	..	—3.29	..	..	b
383 .	..	..	..	..	..	..	..	a	..	..
384 .	5.25	23.61	13.09	11.61	2.03	a	3.25	a	2.09	8.80
385 .	b	..	..	..	..	..	..	..	..	..
389 .	5.24	..	..	..	..	..	..	..	..	..
391 .	a	..	..	..	a	..	..	a	..	..
392 .	7.72	a	..	..	..	..	..	—4.26	..	..
393 .	12.55	..	..	..	..	..	15.61	..	..	..
395 .	a	..	..	..	..	..	..	..	a	..
396 .	..	b	..	..	..	..	—8.17	..	..	..
399 .	10.07	11.04	..	..	—4.06	a	0.88	b	a	0.69
511 .	1.45	—8.14	—12.57	4.33	—8.86	0.40	—2.06	b	—12.28	—4.98
512 .	12.51	..	..	..	..	..	..	..	..	..
521 .	1.81	10.30	..	a	..	..	a	..	..	..
522 .	—0.56	3.24	..	..	..	..	..	..	..	..
844 .	9.60	..	..	..	..	..	—7.11	..	..	..
All Groups	0.07	0.54	3.38	5.27	1.89	4.04	4.05	1.73	—2.35	0.03

a-Existence of Factories and thereby Workers in 1969 and not in 1960.

b-Existence of Factories and thereby Workers in 1969 and not in 1960.

सत्यमेव जयते

12	13	14	15	16	17	18	19	20	21
..	..	39.22	..	51.19	..	29.70	..	29.51	36.33
..	..	a	..		..	..	..	..	18.82
..	..	..	—1.74	—2.35	..	b	..	2.61	—1.87
..	..	..	..	..	..	..	..	..	a
..	14.45	b	7.37	8.51	23.68	15.16	..	—3.03	6.64
..	..	a	..	a	..	b	..	..	20.91
..	..	..	..	b	..	a	..	..	—10.98
..	..	a	..	..	..	..	..	a	a
..	..	..	..	2.39	..	a	..	a	4.27
..	..	..	..	..	..	a	..	a	16.71
..	..	..	..	..	..	47.04	..	59.08	54.82
..	..	a	a	..	..	..	..	..	9.65
..	..	..	b	38.80	..	—1.07	..	4.37	1.07
..	b	b	b	12.10	5.66	7.16	..	—10.88	—1.14
..	..	..	..	a	..	..	..	..	15.26
..	..	b	..	—2.29	..	18.88	..	b	5.69
..	.	..	..	2.34	..	11.23	..	b	1.73
..	..	..	..	..	..	b	..	b	1.30
a	—1.01	3.27	—0.19	5.20	3.10	11.63	8.6	9.	2.297

Note.—1 Compound rates of growth of workers per annum (per cent) refer to those of registered of submitting returns.

2. Worked out on the basis of CIF Data.

सत्यमेव जयते

APPENDIX

Per Factory Employment among District of Gujarat by

Industry Group Code	Ahmedabad		Bhavnagar		Amrel		Junagadh	
	1960	1969	1960	1969	1960	1969	1960	1969
	1		2		3		4	
010 . . .	64.94	58.14	54.40	29.73	55.00	34.00	54.94	119.18
202 . . .	23.67	197.50	25.00	..	..	..	..	..
203 . . .	..	32.00	.	..	..	..	..	..
205 . . .	19.48	15.42	19.00	14.47	..	..	..	..
206 . . .	11.00	26.00	..	..	..	..	..	..
207 . . .	..	..	..	33.00	265.50	705.00	..	356.67
208 . . .	15.50	9.25	..	..	..	..	..	..
209 . . .	26.77	125.29	43.62	41.13	26.87	38.78	35.33	32.40
214 . . .	12.20	32.80	..	..	..	..	..	..
220 . . .	23.50	35.00	20.60	24.75	..	..	..	..
231 . . .	879.48	687.90	339.06	105.43	40.50	12.00	1656.00	2159.0
232 . . .	74.00	52.00	..	..	..	..	..	..
233 . . .	27.33	33.00	26.00	13.75	..	..	7.00	11.00
239 . . .	30.00	36.50	..	..	..	..	..	..
241 . . .	..	28.00	..	..	..	..	..	..
243 . . .	26.80	33.25	..	..	..	..	..	..
244 . . .	39.67	..	..	..	..	..	..	..
250 . . .	32.26	26.43	37.00	12.40	..	..	..	..
260 . . .	24.00	39.80	..	16.00	..	..	..	..
271 . . .	136.17	46.38	14.00	..	..	..	..	..
280 . . .	24.39	28.84	58 67	38.00	..	..	3.00	..
291 . . .	32.00	39.00	..	..	..	..	7.00	19.00
292 . . .	13.33	39.22	..	11.29	..	..	..	..
300 . . .	19.25	34.20	319.00	250.00	..	..	..	..
311 . . .	123.18	96.83	35.00	42.17	..	..	163.83	447.50
319 . . .	21.22	52.59	17.50	21.20	..	..	..	54.00
321 . . .	26.67	11.00	..	..	..	..	..	..
331 . . .	72.35	56.00	80.75	88.00	..	..	63.57	31.60
332 . . .	..	17.00	..	..	..	..	..	..
333 . . .	..	33.09	127.00	208.50	..	..	74.50	123.00
334 . . .	..	..	19.00	..	..	..	52.25	377.00
339 . . .	34.64	55.19	42.20	19.12	7.50	25.00	21.00	28.20
341 . . .	15.68	55.44	45.67	30.67	..	..	..	..
342 . . .	16.36	20.96	..	..	..	..	..	..
350 . . .	16.09	26.63	17.92	16.96	..	..	18.33	16.62
360 . . .	27.71	36.59	30.69	24.28	4.00	..	24.67	43.00

TABLE III

Industry Group (3-Digit level) : 1960 *and* 1969

Jamnagar		Kutch		Rajkot		Surendernagar		Banaskantha		Mehsana	
1960	1969	1960	1969	1960	1969	1960	1969	1960	1969	1960	1969
5		6		7		8		9		10	
35.40	56.33	56.22	44.75	51.65	40.06	138.25	116.33	..	..	102.38	103.33
..	..	..	..	12.00	189.00	..	..	..	..	..	293.00
..	..	..	..	..	..	..	..	..	..	..	..
..	24.00	..	13.00	17.00	23.33	14.00	22.00	..	..	20.25	18.50
..	..	..	..	..	10.00	..	..	..	..	..	..
..	..	..	..	..	61.50	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
49.11	63.51	398.50	254.56	43.94	33.34	121.14	99.39	29.00	..	16.75	18.50
..	..	..	..	5.00	41.00	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	43.39	128.00
231.50	357.00	39.00	312.00	117.60	78.36	499.00	875.50	..	..	920.00	826.22
..	..	..	..	..	..	..	..		..	..	..
..	..	..	..	..	..	..	14.00	..	..	..	22.00
..	196.00	..	13.00	37.75	..	..	..	..	..	16.00	..
..	..	..	..	24.50	35.00	..	..	..	..	..	..
..	..	..	..	..	..	..	..	32.00	52.00	..	..
14.00	..	..	..	..	18.00	..	..	22.00	..	527.00	427.00
11.00	..	..	..	..	16.50	..	..	..	..	..	..
..	..	..	..	18.20	66.00	..	11.00	28.00	17.00	..	..
..	..	7.00	16.00	62.50	59.44	5.00	..	..	..	..	..
..	..	..	..	..	25.00	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	26.00	23.00
..	..	..	30.50	6.00	5.00	..	..	..	..	12.50	..
1886.00	682.00	..	..	19.00	..	245.50	438.67	..	..	25.50	..
..	57.00	..	88.00	26.33	16.67	12.00	9.00	9.00	..	..	35.00
313.00	48.67	38.25	31.50	27.00	13.00	..	..	..	..	..	..
31.00	..	21.80	8.00	12.41	24.11	19.00	19.67	..	..	29.00	..
..	..	..	..	..	..	..	..	..	..	..	..
48.75	..	..	..	47.11	336.00	52.07	144.40	..	..	..	67.00
833.00	799.50	..	..	..	..	..	..	..	..	..	..
45.00	36.00	..	41.00	32.29	28.82	12.00	..	..	12.00	11.00	54.75
12.00	43.25	..	..	19.00	33.29	..	26.67	..	..	..	6.00
..	11.00	..	..	..	17.00	..	19.00	..	..	7.00	..
5.61	27.91	..	63.00	36.67	29.25	24.67	28.00	..	..	41.00	12.00
31.44	35.43	..	26.00	30.30	42.89	78.00	56.91	34.00	11.00	27.86	54.00

Industry Group Code	Gandhinagar		Sabarkantha		Kaira		Panchmahals	
	1960	1969	1960	1969	1960	1969	1960	1969
	11		12		13		14	
010	..	117.00	118.00	12.44	81.95	79.63	107.50	118.25
202	..	..	..	..	150.50	266.67	..	..
203	..	..	..	..	..	..	..	..
205	..	..	24.00	..	10.43	9.27	33.00	30.00
206	..	..	..	..	..	..	..	..
207	..	..	..	..	..	..	..	..
208	..	..	..	..	..	..	..	..
209	..	..	53.00	36.30	40.73	48.20	25.90	29.27
219	..	..	..	..	..	..	..	..
220	..	..	..	..	36.22	29.63	..	..
231	..	..	..	241.00	370.57	181.20	..	..
232	..	..	..	..	..	..	..	..
233	..	..	..	..	..	..	..	..
239	..	..	..	..	13.00	48.50	..	..
241	..	..	..	..	..	..	..	..
243	..	..	..	..	..	48.00	..	..
244	..	..	..	..	..	..	..	..
250	..	36.00	..	..	..	6.00	..	..
260	..	..	..	..	..	13.00	..	..
271	..	..	..	..	32.00	44.20	..	..
280	..	..	19.00	30.00	24.00	24.20	5.00	10.50
291	..	..	..	..	..	..	16.00	..
292	..	..	..	..	37.50	14.00	..	..
300	..	..	..	..	..	34.00	..	..
311	..	..	..	..	58.80	63.20	..	92.00
319	..	..	..	..	88.00	41.00	..	..
321	..	..	..	..	..	..	..	..
331	..	38.00	..	..	47.82	31.06	..	46.00
332	..	..	..	..	12.00	461.00	227.00	199.00
333	..	..	..	38.00	..	149.00	126.00	66.00
334	..	..	..	..	..	724.00	..	..
339	..	..	26.00	26.00	142.71	44.19	40.40	23.67
341	..	..	..	22.00	..	54.00	..	71.00
342	..	..	..	..	14.50	9.00	..	..
350	..	..	..	..	29.00	23.50	..	..
360	..	..	..	..	25.46	72.27	..	..

सत्यमेव जयते

Baroda		Broach		Surat		Dangs		Bulsar		GUJARAT	
1960	1969	1960	1969	1960	1969	1960	1969	1960	1969	1960	1969
15		16		17		18		19		20	
131.67	133.25	121.24	144.21	137.19	182.00	..	..	79.75	131.75	93.26	98.75
..	316.00	..	..	..	252.00	..	..	..	..	58.43	249.44
14.00	41.00	..	..	..	..	..	..	..	..	14.00	36.59
23.56	29.50	..	15.00	18.41	21.00	..	..	14.00	6.40	20.00	89.30
..	11.00	..	..	..	8.00	..	..	15.00	30.00	13.67	22.27
..	..	..	..	96.00	150.00	..	..	113.00	254.00	149.20	233.77
..	..	..	..	10.00	9.00	..	..	..	..	14.33	9.20
20.36	44.67	27.00	13.00	31.00	32.05	..	..	38.50	33.40	45.30	47.61
16.00	15.00	..	..	11.25	17.75	..	..	..	..	11.55	27.67
27.33	46.63	..	..	21.50	11.33	..	..	..	..	35.35	31.89
1037.25	1002.00	210.20	193.08	19.28	42.77	..	..	32.10	233.10	501.58	262.72
..	..	..	..	..	..	..	..	..	..	74.00	52.00
..	..	..	..	..	..	..	..	..	..	24.62	21.27
..	29.00	..	..	23.50	16.89	..	..	20.19	69.00	23.34	43.08
..	..	..	..	..	..	..	..	..	..	24.50	31.50
28.00	..	..	..	28.00	..	..	..	21.00	62.50	36.38	47.89
..	..	..	..	..	..	..	..	..	..	37.75	52.00
21.50	37.33	..	..	33.37	28.50	17.00	39.00	42.93	22.84	45.56	32.19
43.00	..	..	..	15.00	14.00		..	..	..	21.60	26.45
..	26.57	..	..	312.00	147.83	..	..	303.00	180.86	92.06	81.00
42.62	40.46	..	..	21.40	20.00	..	..	27.00	12.00	29.12	31.67
..	..	..	..	..	..	..	..	..	..	18.33	27.67
..	..	14.67	60.75	..	..	..	..	..	..	16.94	30.83
165.33	161.67	..	..	9.00	33.50	..	..	..	21.50	78.50	55.42
1013.00	183.40	144.00	..	28.00	297.83	..	..	14.00	58.00	163.63	195.15
201.00	323.54	..	87.50	93.00	21.58	..	..	245.00	197.17	106.24	118.54
12.00	330.00	..	..	22.67	9.50	..	..	..	..	46.25	63.00
57.83	67.40	70.00	23.20	82.75	71.34	..	..	86.73	71.18	60.14	50.06
503.00	455.60	..	..	..	24.00	..	..	..	..	251.40	300.30
..	27.50	..	..	..	..	..	..	..	58.00	57.56	104.64
..	..	..	..	..	..	..	..	..	..	176.83	545.67
35.29	22.16	..	39.50	14.00	29.00	..	..	21.00	57.00	45.48	33.86
166.33	86.75	..	..	28.00	35.93	..	..	29.50	84.60	32.54	50.60
11.00	112.00	..	..	21.00	14.26	..	..	17.59	29.73	17.79	23.72
12.60	60.75	..	40.00	42.00	48.39	..	..	37.50	13.31	19.37	28.81
116.85	159.15	..	..	27.09	46.78	..	..	28.15	33.39	33.85	50.75

	1		2		3		4	
370 . . .	16.50	62.07	..	13.50	..	..	..	..
381 . . .	..	..	18.50	193.00	..	..	14.50	18.50
382 . . .	312.25	373.33	196.67	593.00	..	..	154.50	255.00
383 . . .	..	..	..	..	..	..	..	
384 . . .	69.68	92.97	21.50	51.14	26.00	44.50	42.67	54.86
385 . . .	15.00	..	..	..	..	..	..	..
389 . . .	9.00	15.00	..	..	..	..	..	..
391 . . .	..	25.00	..	..	..	..	..	..
392 . . .	29.00	30.50	..	10.00	..	..	..	..
393 . . .	19.00	31.00	..	..	..	..	..	..
395 . . .	..	11.00	..	..	..	..	..	..
396 . . .	..	..	17.00	..	..	..	..	..
399 . . .	19.64	16.70	8.60	32.67	..	..	..	..
511 . . .	183.60	176.70	93.50	29.00	23.00	6.00	64.33	59.00
512 . . .	44.00	47.67	..	25.00	..	..	..	..
521 . . .	66.00	79.00	9.00	24.00	..	..	..	27.00
522 . . .	27.50	26.00	8.00	11.00	..	..	..	..
844 . . .	22.00	18.33	..	..	..	..	..	..
All Groups .	186.50	147.81	66.73	42.76	38.52	51.14	59.02	71.09

(NOTE.—Worked out on the basis of CIF Data.)

सत्यमेव जयते

5		6		7		8		9		10	
18.33	13.75	..	..	7.00	27.33	..	..	..	..	..	4.00
119.00	58.50	..	110.00	34.00	50.00	..	..	..	..	..	..
73.00	226.00	..	..	116.57	194.67	..	..	..	..	162.00	..
..	..	..	..	..	..	..	14.00	..	..	..	..
27.00	33.00	..	28.43	19.25	28.91	..	34.00	20.33	30.00	32.60	54.14
..	..	..	..	..	..	..	..	..	..	..	..
..	36.00	..	..	..	..	..	114.50	..	..	..	..
..	..	..	..	..	..	17.00	11.00	..	..	..	..
..	..	..	..	23.50	57.29	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	8.00	..	..
..	..	..	..	30.50	8.67	..	..	..	..	..	..
33.60	18.50	..	9.00	20.50	26.87	367.00	..	..	51.00	29.44	35.50
81.40	53.67	25.33	14.60	25.44	37.20	13.25	..	21.00	17.00	19.00	28.50
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	..	25.00	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..	..	..	..
..	..	..	..	23.00	11.00	..	..	..	..	..	..
61. 4	64.53	85.06	79.98	43.63	40.85	121.70	109.37	23.61	25.77	126.65	154.26

NOTE 1.—Per Factory Employment refers to those of registered factories (submitting returns).
2.—Worked out on the basis of CIF Data.

सत्यमेव जयते

	11		12		13		14	
370 . . .	..	..	..	..	39.00	82.08	..	..
381 . . .	..	..	..	..	..	37.95	..	..
382 . . .	..	..	..	..	..	..	1474.50	1237.50
383 . . .	..	..	..	..	..	..	..	..
384 . . .	..	..	20.67	59.75	27.75	..	40.59	35.00
385 . . .	..	..	..	..	..	107.00	..	..
389 . . .	..	..	..	..	..	..	..	..
391 . . .	..	..	..	..	..	7.00	..	..
392 . . .	..	..	..	..	..	..	..	..
393 . . .	..	..	..	..	..	..	..	..
395 . . .	..	..	..	..	..	..	..	..
396 . . .	..	..	..	..	..	24.00	..	61.00
399 . . .	..	..	..	..	..	..	30.67	..
511 . . .	..	..	10.00	..	11.00	..	28.25	..
512 . . .	..	..	..	..	..	..	..	..
521 . . .	..	..	..	..	13.00	..	..	..
522 . . .	..	..	..	..	..	..	..	..
844 . . .	..	..	..	..	..	..	..	..
All Groups	..	69.20	80.83	33.05	70.31	58.10	91.48	78.15

15		16		17		18		19		20	
45.00	200.57	..	..	19.00	32.00	..	..	11.00	29.20	20.17	78.96
..	..	..	..	..	..	..	..	..	..	36.50	47.23
545.00	859.00	..	..	28.00	..	..	..	51.00	33.00	287.04	441.29
..	..	..	..	..	..	..	..	..	..	..	14.00
43.00	37.83	12.33	51.67	39.25	58.55	..	..	34.00	50.00	40.41	57.33
..	30.00	..	..	10.00	..	..	..	..	..	12.50	55.67
199.00	..	..	..	..	50.00	..	..	..	..	104.00	32.50
..	..	..	..	..	..	..	..	..	15.50	..	44.12
19.42	24.58	..	..	..	10.00	..	..	..	10.00	20.53	22.29
..	..	..	..	..	61.00	..	..	..	6.00	22.60	48.18
..	..	..	..	8.50	12.55	..	..	9.50	22.93	9.00	18.15
..	..	..	..	..	..	..	..	..	..	26.00	28.00
14.00	74.30	..	..	15.43	13.86	..	..	30.00	34.50	31.87	27.20
15.00	18.80	24.50	42.50	255.00	101.80	..	..	153.50	24.25	54.50	51.32
..	14.00	..	..	..	..	..	..	..	..	44.00	36.40
29.00	23.00	..	..	11.00	62.00	..	..	10.00	..	23.00	40.00
24.33	23.00	..	..	5.00	9.67	..	..	9.00	..	17.22	18.40
..	..	..	..	7.00	..	..	..	6.00	..	14.50	16.50
120.84	135.95	121.36	121.51	40.42	45.60	17.00	39.00	40.85	63.50	105.14	88.27

CODE NOS. OF INDUSTRY GROUP

010. Gins & Presses
202. Manufacture of Dairy Products.
203. Canning and Preservation of Fruits and Vegetables.
205. Manufacture of Grain Mill Products.
206. Manufacture of Bakery Products.
207. Sugar Factories and Refineries.
208. Manufacture of Sugar Confectionery, Cocoa & Chocolate.
209. Manufacture of Miscellaneous Food Preparations.
214. Soft Drinks and Carbonated Water Industries.
220. Tobacco Manufactures.
231. Spinning, Weaving and Finishing of Textiles.
232. Knitting Mills.
233. Cordage, Rope and Twine Industries.
239. Manufacture of Textiles not elsewhere classified.
241. Manufacture of Boots and Shoes (except Rubber Footwear).
243. Manufacture of Wearing Apparel (except Footwear).
244. Manufacture of Made-up Textile Goods (except Wearing Apparel).
250. Manufacture of Wood and Cork except manufacture of Furniture.
260. Manufacture of Furniture and Fixtures.
271. Pulp, Paper and Paper Board Mills.
280. Printing, Bookbinding, etc.
291. Tanneries and Leather Finishing.
292. Manufacture of Leather Products except Footwear and other wearing Apparel.
300. Rubber and Rubber Products.
311. Basic Chemicals including Fertilisers.
319. Manufacture of Miscellaneous Chemical Products.
321. Petroleum Refineries etc.
331. Manufacture of Structural Clay Products.
332. Manufacture of Glass and Glass Products (except Optical Lenses).
333. Manufacture of Pottery and China Earthenware.
334. Manufacture of Cement.
339. Manufacture of Non-metallic Mineral Products not elsewhere Classified.
341. Ferrous Metal Products.
342. Non-Ferrous Metal Products.
350. Manufacture of Metal Products (except Machinery and Transport Equipment).

360. Manufacture of Machinery (except Electric Machinery).
370. (a) Electrical Machinery.
381. Ship Building.
382. Manufacture of Repair of Rail Road Equipment.
383. Manufacture of Motor Vehicles and Cycles.
384. Repair of Motor Vehicles and Cycles.
385. Manufacture of Bicycles.
389. Manufacture of Transport Equipment Not Elsewhere Classified.
391. Manufacture of Professional Scientific measuring and Controlling Instruments.
392. Manufacture of Photographic and other optical Goods.
393. Manufacture of Watches and Clocks.
395. Manufacture of Jewellery and Related Articles.
396. Manufacture of Musical Instruments.
399. Manufacturing Industries not Elsewhere Classified.
511. Electric Light and Power.
512. Gas Manufacture and Distribution.
521. Water Supply Stations.
522. Sanitary Services (Pumping and Sewage).
844. (a) Laundries and Laundry Services.

सत्यमेव जयते

ANNEXURE VI

Industrial Incentives in Haryana

Introduction

The purpose of this paper is to list the various incentives offered to industrialists by the Government of Haryana and different state sponsored corporations. The rate of growth of employment has been calculated from 1966-70 in registered factories by industry groups, each classified by district for finding out the effect of incentives on employment. The Appendix III gives detailed information about incentives offered by the State Financial Corporation the Haryana State Small Scale Industries Corporation, the Haryana State Industrial Development Corporation, and the State Bank of India.

Growth of Industrial Employment in Haryana

Table I exhibits the level of employment in 21 industry groups in 7 districts of Haryana for the years 1966 and 1970. Data is based on the registered factories and is collected by the Labour Commissioner, Haryana.

The total employment provided by these industries was 66,957 in 1966 and 88,675 in 1970 thus registering compound annual growth rate of 7.3 per cent.

During this period of four years 18 industries out of 21 industries have registered an increase in employment.

Out of the 21 industries 8 big industries viz: processes allied to agriculture, textiles, food except beverages, non-metallic mineral products, manufacture of metal products, manufacture of machinery, electrical machinery, transport and transport equipment accounted for 77.09 per cent of employment during 1966. The percentage share in employment provided by these industries increased to 77.29 in 1970. Taking these eight industries together, we find that employment provided by these industries increased from 52,960 in 1966 to 68,595 in 1970. These industries have shown 6.6 per cent compound rate of growth of workers per annum. The remaining 13 industries have registered 9.5 per cent compound annual growth rate. "Electricity, gas and steam" have shown the highest rate of growth of 37 per cent. This high rate reflects the progress made in rural electrification in Haryana.

सत्यमेव जयते

Regional Distribution

Four districts—Ambala, Gurgaon, Hissar, and Rohtak have shown an overall increase in employment during 1966-70. Jind, Karnal, and Mohindergarh have registered decline in employment over these four years. Gurgaon has come out with the highest growth rate in industrial employment i.e. 13.2 per year. The growth rate average has been pulled down by districts like Jind, Karnal and Mohindergarh having negative growth rates of 2.7 per cent, 1.2 per cent and 1.7 per cent per year respectively. Hissar, Rohtak and Ambala have shown positive annual growth rate with 9.4 per cent, 4.5 per cent and 1.4 per cent respectively.

Agencies for Promoting Industrialisation

The strategy adopted by the Government for industrial development of the State is provision for infra-structure facilities, critical intervention of the State for promotion of industries in large and medium scale sectors, direct assistance

---

I wish to thank Mr. Deepak Khurana who helped me in collecting data for this paper.

TABLE I

Number of Workers Employed in Working Factories Industry-wise and District-wise (1966-1970)

Industry code	Industry	Ambala		Gurgaon		Hissar		Jind		Karnal		Mohindergarh		Rohtak		Total	
		1966	1970	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970
01	Processes allied to agriculture	124	175	..	..	2,443	3,303	239	145	411	322	..	..	159	123	3,376	4,069
20	Food except beverages	2,171	2,101	88	390	667	655	23	29	1,434	1,159	..	..	639	770	5,022	5,101
21	Beverages	148	222	29	43	..	..	..	..	80	177	..	..	..	..	257	422
23	Textiles	91	913	2,563	4,805	4,556	7,333	..	..	1,677	1,106	..	..	581	1,013	9,468	15,1710
24	Footwear, other wearing apparel.	..	..	..	1,253	..	..	..	..	..	..	..	..	..	..	..	1,253
25	Wood and cork except furniture.	1,068	892	130	262	98	122	25	52	167	254	4	8	122	245	1,614	1,836
26	Furniture & fixture	20	25	19	80	..	..	..	..	..	..	..	..	..	..	39	105
27	Paper & paper products	2,317	2,540	722	607	..	..	..	..	49	76	..	..	..	55	3,088	3,288
28	Printing, publishing & allied industries.	226	142	629	801	7	15	..	..	200	700	..	..	26	23	1,148	1,681
29	Rubber & rubber products	..	15	1,314	2,416	..	45	..	68	..	15	..	..	73	679	1,387	3,238
30	Chemical & chemical products	26	34	301	302	93	51	..	..	88	63	..	..	213	251	721	701
32	Petroleum Prod. & coal	18	24	..	..	33	28	..	..	..	..	..	..	..	..	51	52
33	Non-metallic mineral Prod.	975	905	2,553	3,924	..	..	..	4	..	..	888	825	1239	853	5,655	6,521
34	Basic metal industries	427	276	1,152	1,723	103	147	45	..	187	291	..	..	482	293	2396	2,530
35	Manufacture of metal products	1,992	2,157	2,154	2,201	10	..	..	..	398	332	15	15	260	142	4,829	4,847
36	Manufacture of machinery	3,608	3,502	4,046	6,542	398	431	..	..	887	702	7	7	1,544	1,473	10,490	12,657
37	Electrical machinery	97	110	5,701	10,022	..	..	..	..	74	55	..	..	96	52	5,968	10,239
38	Transport and trasnport equipment.	4,323	4,815	1,780	2,855	24	25	..	..		122	..	..	2,023	2,126	8.152	9,941
39	Miscellaneous	1,348	1,175	1,476	1,781	78	48	..	..	24	142	..	..	142	144	3,068	3,290
51	Eleectricity gas, steam	24	30	132	644	..	..	..	..	33	..	..	..	..	..	189	674
52	Water and sanitary services	39	37	..	..	..	..	..	..	..	..	..	..	..	..	39	37
	TOTAL	19,042	20,090	24,789	40,651	8,510	12,205	332	299	5,781	5,514	914	855	7,539	9,062	66,957	88,675

SOURCE : Chief Labour Commissioner, Haryana.

Compiled by : I C S S R Project Team, Department of Economics, Punjab University, Chandigarh.

TABLE II

Compound rate of growth of workers per annum (per cent) by Industry groups and Districts of Haryana (1966-1970)

Industry Code	Industry	Ambala	Gurgaon	Hissar	Jind	Karnal	Mohindergarh	Rohtak	Total
01	Processes allied to agriculture	9·0	..	7·8	—13·1	—6·3	..	—6·6	4·8
20	Food except beverages	—0·8	46·0	—0·5	6·0	—5·5	..	4·8	0·4
21	Beverages	10·7	10·4	..	..	22·0	..	..	13·2
23	Textiles	0·8	17·0	12·7	..	—11·0	..	14·9	12·5
24	Footwear, other wearing apparel	..	b	..	..	..	..	..	b
25	Wood and cork except furniture	—4·6	19·2	5·6	20·0	11·1	19·0	19·0	3·3
26	Fixture and Furniture	5·7	43·0	..	..	..	..	..	28·0
27	Paper and paper products	2·3	—4·4	..	..	11·6	..	..	1·6
28	Printing publishing & allied industries	—12·3	6·2	21·0	..	28·0	..	—3·1	10·0
30	Rubber and rubber products	b	16·4	b	b	b	..	75·0	24·0
31	Chemical and chemical products	6·9	0·0	16·2	..	—8·7	..	4·2	—1·1
32	Petroleum products & coal	7·4	..	4·2	..	..	..	..	0·5
33	Non-metallic mineral products	—1·9	11·3	..	b	..	—1·9	—9·5	3·6
34	Basic metal industries	—3·7	10·6	9·3	a	11·7	..	23·0	10·2
35	Manufacture of metal products	—2·0	0·5	a	..	—4·6	0·0	—16·4	0·1
36	Manufacture of machinery	—0·1	12·8	2·0	..	—6·0	0·0	—1·2	4·8
37	Electrical machinery	3·2	15·1	..	..	—7·7	..	—16·6	14·5
38	Transport & transport equipment	2·7	12·6	1·0	..	80·0	..	1·4	5·0
39	Miscellaneous industries	—3·5	4·8	—12·9	..	55·0	..	0·4	1·8
51	Electricity, gas and steam	5·8	48·0	..	..	a	..	..	37·0
52	Water & sanitary services	—1·3	..	..	..	..	..	..	—1·2
	TOTAL	1·4	13·2	9·4	—2·7	—1·2	—1·7	4·5	7·3

0·00 = No growth.

a = Factories and thereby workers existing in 1966 only.

b = Factories and thereby workers existing in 1970 only.

Compiled by : I C. S. S. R. Project Team, Department of Economics, Punjab University, Chandigarh.

to small scale industries and promotion of research and quality consciousness. One of the main planks of this strategy is to attract industries to areas surrounding Delhi by offering industrialists various concessions for purchase of land, supply of electricity etc. Faridabad, Ballabhgarh and Gurgaon have as a result developed into big industrial centres. Some of the other principal features of the State's policy are to provide a comprehensive corporate net-work to offer expert service, to give assistance to self-employed technicians and artisans in semi-urban and rural areas, to provide technical assistance and information to entrepreneurs in respect of potentialities, locational advantages etc. Haryana Industrial Development Corporation has been set up to develop Industrial areas and estates in a widely dispersed manner. Haryana State Financial Corporation has been set up to provide finance to entrepreneurs. The Haryana Small Industries Corporation has been established to serve the needs of small scale industries by distribution of controlled raw-materials, sale of finished products, supply of machinery on hire-purchase basis etc. The State Bank of India has introduced a scheme of financial assistance to small scale units. It advances medium term loans and instalment credit.

Facilities and Concessions for Entrepreneurs offered by State Government

The various facilities and concessions provided by the State Government under its various schemes to accelerate industrial development can be briefly summarised as under :—

(1) *Choose your Industry.*—The entrepreneurs are assisted by the Directorate of Industries to select their own industry from among a large list of industries having scope in this region. This list has been compiled from the recommendations of various State and private agencies, and is based upon the feasibility surveys conducted by them. In case, an entrepreneur decides on his own item, he is assisted by the Technical Experts of the Directorate of Industries to prepare a scheme.

(2) *Industrial Licences under Industrial Development and Regulation Act.*—The State Government recommend applications to the Government of India for the grant of industrial licences for large and medium industries. These applications are actively followed by the State Government to see that the necessary licences are issued at an early date. During 1970-71, 270 applications were recommended to the Government of India and 78 letters of intent and 31 licences have been issued for the State of Haryana.

(3) *Technical Assistance and Feasibility Studies.*—As soon as the entrepreneur has decided upon the industry he wishes to embark upon, assistance is provided by the Technical Experts of the Directorate to prepare a scheme for establishment of this unit. In fact a large number of schemes are already available so that no time is lost between choosing an industry and applying for its registration. Government meets 50 per cent of the cost of preparation of feasibility reports in case of selected industrial projects provided these are prepared by an approved agency.

(4) *Industrial Areas and Industrial Estates.*—The main object of the programme of establishing Industrial Estates is to provide accommodation to small industries at suitable sites with facilities of water, electricity, transport, banks, post-offices, canteens, etc. and thereby create the necessary atmosphere for establishing industries. Other facilities provided by the Government include among others, Quality Marking Centres. The Department of Industries, has set up a number of industrial areas and estates. Government takes full responsibility for the development of roads, provision of water, supply of power etc. Recently about 900 acres of land has been developed at Faridabad and has been practically sold out. Land is also being developed near Sonepat, Rohtak, Bhiwani, Ambala and at Panchkula near Chandigarh. An industrial estate is being built at Murthal near Sonepat, and another is being set up at Pinjore near the Hindustan Machine Tools Factory. More and more areas will be taken as the demand increases.

(5) *State Aid to Industries Act.*—Loans are advanced to the small-scale industries under the Punjab State Aid to Industries Act and rules framed thereunder, for construction of factory buildings, purchase of machinery and equipment and working capital, these loans are granted upto Rs. 50,000/- against tangible security in the form of land, building and machinery either of the applicant or of any surety. Such loans are given upto 50 per cent of the value of the security offered in Urban areas and 1/3rd of the value of the property in the rural areas. Loans upto Rs. 5,000/- are granted against one personal surety having property worth double the value of the loan applied for.

The loans upto Rs. 25,000/- carry an interest rate of 3 per cent per annum and from Rs. 25,000/- to Rs. 50,000/- at 7 per cent per annum.

(6) *Relief from Taxation.*—Haryana Government gives various concessions on taxes depending on the location of industries. For this purpose Haryana State has been divided into three areas: These are:—

(a) More or less developed areas comprising of Faridabad/Ballabhgarh belt.

(b) Backward areas comprising of districts of Hissar, Mohindergarh, and Jind and Tehsils of Rewari, Naraingarh and Kalka and sub-tehsil of Nahar.

(c) Developing areas—areas other than (a) and (b) above.

Those units whose capital investment does not exceed Rs. 7.5 lacs in region (a), Rs. 1 crore in region (b) and Rs. 50 lacs in region (c) are entitled to the following tax concessions:—

6.1 *Electricity Duty.*—New units established in Haryana are completely exempt from the payment of electricity duty for a period of 3 years in developed areas, 7 years in backward areas and 5 years in developing areas.

Further concession in tariff is available to each chemical and other industries using power as principal raw material.

6.2 *Sales Tax.*—Inter-State sales tax payable by new units is treated as interest free loan and this concession is made available from the date of production for periods of 3, 7 and 5 years in the three regions respectively.

The amount of inter-state sales tax is recoverable after a period of 5 years and would be payable in a further period of 5 years in 10 equal six monthly instalments. No new taxes are to be levied in respect of purchase of industrial raw-material for the manufacturing processes in factories within Haryana for the next 5 years.

6.3 *Property Tax.*—New units are exempted from property tax for a period of 5 years.

6.4 *Octroi Duty.*—All industrial units, which fall outside the Municipal limits, at the time of their establishment are exempted from the levy of octroi for a period of 5 years from the date of their going into production.

New industrial units located in the Municipal limits are exempted from octroi on capital equipment and building material. These units are also exempted from octroi duty on raw material for a period of 3 years.

Miscellaneous Incentives

Besides tax concessions, Haryana Government has set up Quality Marking Centres, Industrial Development Centres, Heat Treatment Centres and Common Facility Centres at various places in the State. Small scale industries are given special assistance for marketing their products through Government Emporia.

APPENDIX III

(i) *Incentives given by Haryana State Financial Corporation*

Haryana Financial Corporation an autonomous body came into existence on 1st April, 1967. It grants loan upto Rs. 20 lacs in case of public limited companies and registered cooperative societies and upto Rs. 19 lacs in other cases. These loans are granted for creation of fixed assets to new entrepreneurs for expansion or for rationalising existing industrial units. Loans for working capital are also granted to the small scale industries in special deserving cases, where working capital is not available from other sources including commercial banks. The rate of interest on loans upto Rs. 5 lacs to small scale industries is 9.75 per cent per annum which is reduced to 8.5 per cent per annum on availability of finance from the Industrial Development Bank of India. In case of loans to other than the small scale industries the rate of interest is 3 per cent above the Bank rate with a minimum of 9.75 per cent per annum which is reduced to 8.75 per cent per annum on the availability of refinance from the Industrial Development Bank of India. The loans are payable in a period of ten years with a grace period of two years.

Special concessions are being granted to units in the backward areas of the State. The margin is reduced from 40 per cent to 30 per cent for medium and large scale units and from 25 per cent to 20 per cent for small scale units. The repayment period is extended upto 15 years with a grace period of 4 years. The rate of interest is charged at 7 per cent per annum.

Loans are also provided on attractive terms for the purchase of generating sets and transport vehicles. During the year 1970-71, the Haryana Financial Corporation has sanctioned loans amounting to Rs. 2.83 crores to a total of 60 units which include 40 in the small scale sector, 8 transport operators and 12 other units.

TABLE III

Haryana Financial Corporation

Industry-wise classification of Loans and Advances as on 31*st of March*, 1972

(Rs. in lacs)

Sl. No.	Industry	No. of applications sanctioned	Amount sanctioned	No. of applications to whom loan disbursed	Amount disbursed
1.	Food except beverages	51	130·94	34	107·63
2.	Textiles	36	164·77	27	137·52
3.	Wood & cork except furniture	3	11·66	3	10·67
4.	Paper & paper products	9	46·36	8	36·21
5.	Printing, publishing & allied industries	4	18·28	3	13·28
6.	Rubber & rubber products	15	38·20	12	29·97
7.	Chemicals & chemical products	28	130·15	21	89·39
8.	Manufacture of non-metallic products	17	35·85	15	30·54
9.	Manufacture of metal products	68	352·23	39	214·57
10.	Machinery & electrical machinery	41	159·52	29	109·23
11.	Manufacture of transport equipment	25	128·66	24	117·46
12.	Miscellaneous industries	33	65·29	19	41·83
	TOTAL	330	1,281·95	234	938·30

Source : Haryana Financial Corporation, Chandigarh.

TABLE IV

Haryana Financial Corporation

District-wise Classification of Loans and Advances as on 31st of March, 1972

(Rs. in lacs)

Sl. No.	District	Small-Scale				Others			
		Sanctioned		Disbursed		Sanctioned		Disbursed	
		No. of units	Amount	No. of units	Amount	No. of units	Amount	No. of units	Amount
1.	Ambala	17	28·63	9	12·47	..	..	..	..
2.	Gurgaon	94	284·21	63	162·55	67	538·81	58	452·33
3.	Hissar	34	63·30	17	31·76	9	63·47	8	57·93
4.	Jind	8	12·50	8	10·28	..	..	..	..
5.	Karnal	31	42·47	20	25·95	12	73·76	11	69·73
6.	Mohindergarh	6	4·15	1	1·50	..	..	..	..
7.	Rohtak	38	70·38	27	39·12	13	10·02	12	74·67
	TOTAL	229	505·66	145	283·64	101	776·29	89	654·66

Source : Haryana Financial Corporation, Chandigarh.

It is notable that the small scale units have received more than half the assistance provided by the Haryana Financial Corporation to the industrial units in Haryana. The description of the total amount of loans sancioned and disbursed to various industries by the Haryana Financial Corporation since its inception are given in Table III. District-wise classification of financial assistance provided by the Haryana Financial Corporation is given in Table IV.

(ii) *Incentives by Haryana State Small Scale Industries Corporation*

On recommendation of the Director of Industries, machinery both imported and indigenous, is supplied by the Haryana State Small Scale Industries and Export Corporation on hire-purchase basis at very reasonable terms. Under this scheme the Corporation processes the requirements of machines for the small scale units, and supplies them on easy instalments on hire-purchase basis. During the year 1970-71, against machinery worth Rs. 1 crore were placed for Haryana by the National Small Scale Industries Corporation.

On the small scale industries side, the Corporation concentrates on its prinary function of procurement, storage and distribution of both indigenous and imported, channelised and non-channelised raw materials, particularly various categories of iron and steel items like CR/HRBP sheets, GP/GC sheets, pig iron, MS plates, etc. and structural materials such as angles, joints channels, round bars which are required by the light engineering agricultural implements, and foundry inlustry in the State.

Further to augment supplies the Corporation is regularly lifting prime/defective materials offered by the main producer's stockyards in Delhi against the share of Haryana State from time to time.

Some of the items which the Corporation has been procuring and distributing in the past are : Pig iron, Steel, Mutton tallaw for soap industry, non-ferrous metals, chemicals, cloth, yarns, etc.

These raw materials are procured through the main producers and suppliers like Hindustan Steel Ltd.; Tata Iron and Steel Co.; Indian Iron and Steel Co.; State Trading Corporation of India, and other manufacturers.

To meet the ever increasing demand of industry and to make available supplies from as near a place as possible, the Corporation set up a depot at Bahadurgarh recently besides the five depots and two sub-depots already functioning at Ambala, Yamunanagar, Panipat, Faridabad, Rohtak, Karnal and Bhiwani. These raw-materials are distributed according to the directions or the approved policy of the Director of Industries, Haryana.

The Corporation also proposes to take up new activities like supply of machinery on hire-purchase basis and marketing of products of small scale industries by procuring orders from the DGS & D, Railways, P & T and other similar Govt. of India and State organisations.

Export

The Corporation executed a number of orders for the supply of foot-wear, leather belting, diesel engines, centrifugal pumps, scientific instruments and laboratory equipments, etc., to the Middle Eastern, East-African and South East African countries. The export of shoes to Russia continued to be the mainstay of the Export-Wing and 20,100 pairs valuing Rs. 6,93,055 were actually exported during 1969-70.

The Corporation also exported diesel engines and spare-parts valuing Rs. 4,85,831.85 to Thailand and some middle eastern countries.

The Corporation, which has been recognised as an Export House by the Government of India, proposes to launch a special campaign for further augmenting export and products which are manufactured by small scale units in the State by associating with the Trade Development Authority.

(iii) *Activities of Haryana State Industrial Development Corporation*

The Haryana State Industrial Development Corporation since its inception in 1967 has been carrying out a survey of the industrial potential of the State and based on that, working for the promotion and establishment of industries in the State. It has been trying to enter a wide and varied field of industrialisation. The Corporation has made a modest beginning in the systematic identification of various viable projects and a few of these are at an advanced state of implementation.

The Corporation has been taking steps to get the industrial licences from the Government of India for the projects which are considered to be feasible on the basis of the surveys conducted by it. It underwrites or participates in the preference shares of selected public limited companies for setting up medium or large scale industrial units.

(iv) *State Bank of India*

The State Bank of India has introduced a scheme of financial assistance to small scale units under which working capital is advanced against pledge of goods either under lock and key or factory type basis. Advances are also made against hypothecation of goods and bills under collection, as well as against personal guarantee.

State Bank of India advances medium term loans for construction of factory buildings and purchase of machinery and plant. Instalment credit loans are also being provided for expansion or renovation of the plant and special terms are offered to technical entrepreneurs.

ANNEXURE VII

Industrial Incentives in the Punjab

Introduction

The various incentives offered to industrialists by the Government of Punjab and different state sponsored corporations constitute the essence of this paper. The impact of these incentives on employment has been calculated by the rate of growth of employment from 1966-1970 in registered factories by industry groups, each classified by district. The Appendix at the end gives details about incentives offered by the State Financial Corporation, the Punjab State Small Scale Industries Corporation and the Punjab State Industries Development Corporation.

Growth of Industrial Employment in Punjab

Table 1 represents the levels of employment in 24 industry groups in all the 11 districts of Punjab for the year 1966 and 1970. The results are derived from data collected by the Labour Commissioner, Punjab.

The total employment provided by these industries was 103475 in 1966 and 116776 in 1970 thus registering an average growth rate of 3.1 per cent.

Taking industries separately, we discover that 10 out of 24 industries have shown an increase in employment. These industries were employing 95854 workers in 1966 and are now employing 109958 workers. There were only five industries that showed a decrease in employment from 7621 in 1966 to 6818 in 1971.

Out of the 24 industries, five big industries *viz.*: textiles, non-electric machinery, food (except beverage), transport equipment and metal products (except machinery and transport) accounted for 74.08 of employment during 1966. In 1970, the proportion of employment provided by these industries fell to 72.04 thus indicating that other industries registered a relatively higher rate of growth. Taking these five big industries together, we discover that employment increased from 76,655 to 84,106 during 1966—1970 i.e. a growth rate 2.4%. Out of these employment in food (except beverage) and transport equipment grew at a rate of 8.0 and 8.1 per cent respectively. However the rate of growth of employment in textiles, metal products (except machinery and transport) and non-electric machines was only 1.4, 0.6 and 0.3 per cent respectively.

Regional Distribution

In Punjab, industries are mainly concentrated in four districts namely Amritsar, Ludhiana, Jullundur and Patiala. These four accounted for 65.3 per cent of employment in 1966 and 70.3 per cent of employment in 1970 out of these Amritsar is the only district where employment has shown a marginal decline over this period. Industrial employment has registered a big rise in the three districts of Ludhiana, Jullundur and Patiala. Maximum growth in employment has been registered by Patiala followed by Ludhiana.

Table 2 below gives the average compound rates of growth of industrial employment in all the districts over the period 1966—70. The growth rate of industrial employment for the entire State was 3.1 per cent a year. The districts of Patiala, Ludhiana, Sangrur and Bhatinda have shown growth rates of 10.4 per cent, 9.7 per cent, 7.8 per cent and 6.0 per cent per annum respectively.

Agencies for Fostering Industrialisation

To create a favourable and attractive climate for setting up industrial projects in the State, the Punjb Government have taken the following steps:

(a) These area **have been given special concessions** in terms of provision of **utilities**, remission of sales tax for a period of five **years, exemption from** electricity **duty and** price preference in **Government purchases. In** addition **existing** as **well** as new and expanding **industrial projects** in border cities of **Amritsar, Batala and Ferozepur** have been provided attractive concessions.

(b) Some of the principal features of the State's policy are to provide a comprehensive corporate network to offer expert service, to give assistance to self-employed technicians and artisans in semi-urban and rural areas, and to provide technical assistance and information to entrepreneurs in respect of potentialities, locational advantages, etc.

(c) Every district has been provided with urban and rural industrial estates which offer built-up factory sheds with water and power facilities. These sheds are available on concessional terms for setting up small scale industrial projects.

(d) Punjab State Financial Corporation has been set up to promote and finance new projects. The State Government has set up the Punjab Industrial Development Corporation with a view to developing industrial areas and estates in a widely dispersed manner. The Punjab Small Industries Corporation has been established to serve the needs of small scale industries by distribution of controlled raw materials, sale of finished products, supply of machinery on hire purchase basis etc. The Punjab Export Corporation assists industrial units in finding export markets for their products. A declared description of the activities of these Corporations is given in the Appendix.

Existing Incentives offered by the State Govt.

Focal points for industrial growth have been established at Mohali near Chandigarh, Rajpura in Patiala district and Dhandri Kalan near Ludhiana. At these focal points the following infra-structure facilities have been provided.

Land.—Developed plots are available for allotment in focal point areas established by the Department of Industries. In exceptional cases, land selected by a unit outside the focal point area but within a five mile belt, can be acquired by Government on behalf of the unit. Recovery will be made in seven instalments as follows:

> 10 per cent in cash before handling over possession. Balance 90 per cent to be recovered in 6 equal annual instalments, the first instalment being payable within 2 years from the date of handing over possession. Interest will be charged @ 4 per cent.

Power.—Electrical power required for the new unit is supplied by the Government with the concession that no electricity duty will be charged for a period of five years from commencement of operation of the new unit. In case the unit is expanded the increase in consumption of electricity will also be exempted from duty for a further period of five years from the date of expansion.

Water Supply.—Industrial water supply is available in all focal point areas at the rate of Re. 1.00 per 1000 gallons. For plots outside the existing focal points, sub-soil water can be easily tappled at the depths of 35 to 50 feet.

Roads.—The focal point areas are all situated on major highways and are easily accessible by rail and road. The layout of sheds and other structures in the plots requires the approval of the State Town Planning Organisation. Standard plants are available with this Organisation.

Sewerage.—Sewerage lines have been laid in the focal point areas. However, when land is acquired for an entrepreneur by Government within the five mile belt adjoining but outside the focal point, arrangements for sewerage, water supply and roads have to be made by the entrepreneur at his own cost. In such plots, the sewerage system can be connected with the main sewerage lines serving the focal point area.

Tax Concessions.—(i) Refund of purchase tax on raw materials and components will be made in respect of purchases made by the unit anywhere in India for a period of five years from the date of registration of the unit in Punjab.

(ii) For finished products sold directly to consumers, an amount equal to the sales tax levied by the Punjab Government will be made available to the unit by the Director of Industries, Punjab. The actual sales tax recovered through direct sales will be credited to government revenues as usual. This concession will also apply for a period of five years from the date of registration of the unit.

(iii) In case of inter-state sales tax recovered by the unit on inter-state sales, an equal amount will be credited to the unit by the Director of Industries, Punjab. This concession will also be vlid for five years from the date of registration of the unit.

(iv) Where the focal point areas are likely to be included in Municipal limits some time in future, the unit will be exempted from octroi and terminal taxes imposed by Municipal Committees for five years from the date of registration.

Registration.—Registration in case of sales tax refunds refers to registration with the Director of Industries, Punjab.

In respect of octroi and terminal tax levied by Municipal Committees, the unit should be registered with the Municipal Committee concerned for claiming the exemption allowed by the Government.

Expansion of the Unit.—Where a unit carries out expansion or enters a new line of production the above tax concessions will be available for a further period of five years from the date of expansion or production of new items as the case may be. These concessions will then apply to only the incremental units produced of existing or new item. Expansion for the purpose of these concessions implies 50 per cent increase in capital investment and 100 per cent increase in value of production within a period of one year of notifying the Director of Industries regarding the proposed expansion.

Price preference.—With a view to encouraging local industries both within and outside focal point areas, price preference in respect of purchases by government agencies are allowed to the extent of 7½ per cent for large and medium scale units and 15 per cent for small scale units. This means that if a quotation tendered by the unit is higher by these percentages, then other things being equal, preference will be given to such units in government purchases.

Financial Assistance.—The Punjab Government is prepared to use its good offices with government sponsored financial institutions for grant of liberal loans against fixed assets of an industrial unit. Government also offers to underwrite share capital up-to 20 per cent of the paid up capital of new ventures, provided that government investment shall not exceed that of promoters. If, however promoters' investment also includes the import of foreign exchange in a form permitted by the central government, the extent of government underwriting will be raised by an amount to the foreign exchange component, provided the total underwriting does not exceed 30 per cent of the paid up capital. Matching investment by promoters will not be insisted upon for this additional underwriting. Government sponsored financial institutions such as Punjab State Industrial Development Corporation and Punjab Financial Corporation also undertake underwriting of preference and equity shares.

Other cases in which package of focal point concession is available

(i) New and expanding industrial units in the border cities of Amritsar, Batala and Ferozepur are also eligible for all focal point concessions.

(ii) Technically trained self-employed persons setting up units anywhere in the State will also be eligible for focal point concessions. The minimum acceptable technical qualification and extent of financial interest of the entrepreneur in the project will be prescribed by the Government.

(iii) Where promoters are bringing in not less than 15 per cent of the block capital outlay on any venture as foreign exchange in a permissible form they will be entitled to all focal point concessions, wherever the unit may be located in the State.

Other special cases

The existing industrial units situated in important industrial cities near the border, e.g. Amritsar, Batala and Ferozepur, shall be given the following incentive for a period of 5 years from the date of the policy.

(i) Sales Tax: 50 per cent of the tax on purchases of raw materials and on direct sales of finished goods to consumers will be refunded.

(ii) Octroi: 50 per cent of the octroi duty will be refunded.

(iii) Electricity duty: 25 per cent of the electricity duty levied by the State Government will be refunded.

General concessions for industrial development in the State

The following general concessions are being given to industrial units siutated anywhere in the State of Punjab:

(i) The rate of electricity duty charged from industrial units is reduced from 20 per cent of the bill to 15 per cent. This concession is admissible for a period of 5 years.

(ii) Loans up to Rs. 5,000 are advance by District Industries Officer to small scale industrial units against one personal surety, provided the property owned by the surety is twice the value of the loan advance. Loans exceeding Rs. 5,000 and up-to Rs. 50,000 are sanctioned on the recommendation of the Board of Industries by the Director of Industries, Punjab. Punjab Financial Corporation advances liberal loans upto Rupees twenty lacs, against fixed assets of existing and new industrial units.

(iii) Price preference is accorded in government purchases.

(i) *Incentives by Punjab State Financial Corporation:*

The Punjab Financial Corporation which has a paid up capital of Rs. 7,5000,000 (divided into 75000 shares of Rs. 100 each) aims to provide medium and long term loans to the extent of Rs. 20 lacs in the case of a public limited company or a registered cooperative society and Rs. 10 lacs in other case, at a rate of interest of 3 per cent above the bank rates, with a minimum of 9 per cent per annum. This amount is repayable in 10 years. The loans are advanced on the security of land, buildings, plant and machinery by way of first registered mortgage with a margin of 40 per cent of the net assured value. In case of Government guaranteed, the margin is reduced to 25 per cent. The corporation advances loans for the development of different type of infrastructures such as (1) textile, (2) transport and equipment, (3) machinery, (4) metal and metal products, (5) process allied to agriculture etc. Maximum loans are given to textile industries in the Punjab whereas minimum amount of loans has been sanctioned to footwear industries. The description of the total amount of loans sanctioned and disbursed since the inception of the corporation are given in Table 1A below:—

Loans sanctioned and disbursed to various industries by the Punjab Financial Corporation Ltd. upto the end of 31*st March*, 1971

(Rs. Lacs)

Sl. No.	Industry	Units	Sanctions	Units	Disbursed
1.	Process allied to Agriculture .	26	106·46	22	68·86
2.	Food & beverages	4	20·44	1	17·86
3.	Textiles	123	290·49	107	263·12
4.	Footwear	4	3·60	3	0·60
5.	Printing & Publishing . .	9	11·55	7	9·51
6.	Rubber & rubber products .	12	19·25	7	10·52
7.	Chemical & chemical products .	12	37·02	10	13·26
8.	Metal & non-metal prod. . .	45	108·68	41	90·99
9.	Machinery	34	65·61	24	56·12
10.	Elec. Machinery . . .	12	42·16	15	33·76
11.	Transport Equipment . .	23	37·61	17	30·31
12.	Misc. industries . . .	13	30·97	10	16·16
13.	Cold storage	34	44·23	30	34·17
14.	Manufacturing industries . .	32	42·66	28	37·35
15.	Hotels	4	13·60	2	5·35
16.	Services	41	29·91	17	13·69
	TOTAL .	432	904·24	341	701·07

District-wise analysis of the financial assistance sanctioned and disbursed since the inception of the corporation are given in the Table 2A. It is clear from the table that Ludhiana district is the biggest beneficiary and has been sanctioned nearly 43.05 per cent of the total loan made available by the Corporation from its funds. Hoshiarpur, Bhatinda, and Sangrur districts have been declared as industrial backward and have counted for only 4.50 per cent of the total amount sanctioned in the State. It is, therefore, obvious that the corporation has failed to advance substantial loans to backward areas. The corporation with the help of State Government is now preparing a scheme which aims at providing finance to industry in the backward districts at cheaper rates and on concessional terms.

TABLE 2A

Loans sanctioned and disbursed by the Corporation upto March 1971

(Rs. in lacs)

District	Sanctioned	Disbursed
Amritsar	164·60	123·68
Ferozepur	40·46	34·24
Bhatinda	2·27	1·80
Gurdaspur	9·21	6·23
Hoshiarpur	16·86	14·04
Jullundur	118·46	100·09
Ludhiana	414·17	355·19
Kapurthala	16·28	6·39
Patiala	67·20	40·69
Ropar	23·62	12·40
Sangrur	31·11	6·32
TOTAL	904·24	701·07

(ii) *Incentives by Punjab State Small Scale Industries Corporation:*

The Punjab State Small Scale Industries Corporation Ltd. which was incorporated in March, 1962 aims to aid, assist, counsel, finance, protect and promote the interests of the small scale industries in the State. The Corporation undertakes to procure raw materials for the small scale industries and has adopted some other useful schemes like provision of machinery on hire-purchase basis, importing of machinery and raw materials against actual users Licences, Registration of small scale units, setting up of its own factories, marketing of the products of the small scale industries and sale of handicrafts and products of cottage and small scale industries through its own Emporia set up at various places etc.

Some of these activities are being dealt with below in detail:

Procurement and Distribution of Raw materials

The small scale industries in the State are producing a variety of items like Machine Tools, Bicycle and Bicycle Parts, Sewing Machine and Parts, Pipe and Pipe Fittings, Wood and Machine screws, Bolts and Nuts, Electrical Appliances, Scientific Instruments, Woollen, Cotton and Art Silk Fabrics, Hosiery, Sports Goods, Leather Goods, Plastic goods, Paints and Varnishes, Furniture, Soaps, etc. etc. A large number and variety of raw materials are required to produce these items. The Punjab State Small Scale Industries Corporation Ltd. endeavours to procure all such materials in bulk quantities. Some of the items which the Corporation has been procuring in the past are: (1) Pig Iron (all grades and varieties), (2) Steel (all popular items like sheets, plates, rods and bars, structurals etc. in required sections and sizes), (3) Non-ferrous metals, (4) Yarns, (5) Chemicals, (6) Wood and Timber, (7) Ivory, (8) Cloth, (9) Fire bricks and fire clays etc. etc.

These raw materials are procured through the main Producers/Suppliers like Hindustan Steel Ltd., State Trading Corporation of India Ltd., Minerals and Metals Trading Corporation of India Ltd. and other manufacturers. The producers charge the corporation at their fixed ex-factory prices and the Corporation in turn sells these materials to the small scale industries after adding the unavoidable expenditure like freight etc. and a small service charge.

The material so produced are stored in the godowns of the Corporation which have been set up at 14 important industrial towns of Punjab *viz.*, (1) Ludhiana, (2) Jullundur, (3) Amritsar, (4) Batala, (5) Dhuri, (6) Goraya, (7) Malerkotla, (8) Kartarpur, (9) Chandigarh, (10) Bhiwanigarh, (11) Patiala, (12) Moga, (13) Hoshiarpur, (14) Mandi Gobindgarh. After the materials have arrived at these godowns, these are released according to the directions or the approved policy of the Director of Industries, Punjab.

Import against actual users licences

There are a large number of small scale industrialists in the State who get import licences from the Government of India for small amounts. Such manufacturers are either ignorant about the procedures involved in obtaining supplies from foreign countries or find it very difficult to import materials against their licences which are of small amounts. The corporation collects such licences from them and imports the materials on their behalf from foreign countries.

Exports.—The corporation has recently undertaken the exports of the products of the small scale industries in the State. The corporation has fixed a target of Rs. one crore worth of exports for the year 1970-71, the first year of its exports.

Achievements.—The achievements made and the services rendered by the Corporation can be assessed by the figures of total turnover of the corporation during the past several years of its working. These are given below:

(Figures in lacs of Rs.)

Year	Turnover
1962-63	78·73
1963-64	184.23
1964-65	205.76
1965-66	266.76
1966-67	268.07
1967-68	230.54
1968-69	265.75
1969-70	338.02
1970-71	529.00

(iii) *Activities of Punjab State Industries Development Corporation:*

The Punjab State Industrial Development Corporation which has an authorised capital of Rs. 70 million aims to promote large and medium scale industries in areas where private entrepreneurs are not willing to invest large amount of capital in new industries. The corporation carries out preliminary investigation of projects which are found to be necessary for strengthening the agro-industrial base of the State. The corporation takes steps to get the necessary industrial licence from the Government of India for all projects that are considered to be feasible on the basis of a preliminary survey.

In cases where the corporation secures the Government of India's clearances it proceeds to invite suitable private entrepreneurs to collaborate in implementing the project. The corporation generally holds 26 per cent equity shares and managements is left with the private entrepreneur. However, sometimes after the project has been implemented, the corporation withdraws its share holding and offers its shares to the private entrepreneur collaborating in the project. The corporation takes full advantage of the private entrepreneurial skills, experience and financial resources for promoting new industries in the State.

(iv) *Punjab Export Corporation:*

The Punjab Export Corporation assists Industrial units in finding export markets for their products. Financial help in the form of advances is provided to execute export order channelised through the corporation.

सत्यमेव जयते

Distribution Of Workers By Industry Groups In Districts Of The Punjab 1966—70

(Workers No.)

Code No.	Industry	Amritsar		Bhatinda		Ferozepur		Gurdaspur		Hoshiarpur		Jullunder	
		1966	1970	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970
01	Processes allied to agriculture . .	379	310	1386	1,388	2,801	2,276	..	18	..	..	68	50
20	Food (except beverages)	1,064	1,384	107	196	501	725	1083	1,123	89	100	960	2,089
21	Beverages . . .	232	177	..	..	..	..	..	..	..	..	8	..
22	Tobacco . . .	..	..	..	..	65	39	..	..	..	..	..	..
23	Textiles . . .	13,092	11,671	..	30	3,275	2,385	2,066	2,248	91	52	194	123
24	Footwear . . .	..	..	..	..	..	..	..	..	..	..	26	104
25	Wood & Cork (except Furniture) . .	267	267	82	152	68	127	329	252	55	95	263	289
26	Furniture & fixture .	23	34	274	250	..	..	25	33	8	19	14	10
27	Paper & paper products	7	7	..	..	27	38	..	..	..	..	42	18
28	Printing & Publishing .	66	61	13	..	45	57	12	11	68	13	594	750
29	Leather and leather products . .	..	27	..	..	..	..	..	..	..	..	86	105
30	Rubber & rubber products . .	432	452	..	..	..	..	61	77	..	..	499	980
31	Chemical and chemical products . .	584	569	32	13	15	17	..	..	88	142	49	77

32	Petroleum & Coal products	..	..	..	..	..	5	13	6	..	..	19	25
33	Non-metallic mineral Products	38	44	..	169	36	53	52	107	..	..	109	93
34	Basic metal products	504	426	165	237	..	10	607	521	25	8	868	1,225
35	Metal Products (except machinery & transport)	1,114	1,113	..	..	166	283	174	150	21	10	3,624	3,291
36	Non-elec. machinery	1,716	1,538	42	126	163	285	4,023	3,125	380	410	4,868	4,551
37	Elec. machinery and appliances	153	216	10	12	32	13	..	6	6	..	962	844
38	Transport equipment	2,018	2,973	..	68	95	139	156	165	22	144	2,859	3,026
39	Misc. industries	216	224	11	33	47	57	29	16	47	8	581	629
51	Elec. Gas & Steam	28	17	..	..	..	..	..	15	..	..	..	50
52	Water & sanitary	40	14	..	..	..	..	..	..	..	..	..	..
84	Personal services	40	60	..	..	..	..	..	..	..	..	..	..
	TOTAL	22,013	21,584	2,122	2,674	7,336	6,509	8,580	3,053	900	1,000	16,693	18,344

Source : *Labour Commissioner, Punjab.*

Compiled by : *I C S S R project team, deptt. of economics, punjab university, chandigarh.*

Distribution of Workers by Industry Groups in Districts of the Punjab 1966-70—Contd.

Code No.	Kapurthala		Ludhiana		Patiala		Rupar		Sangrur		Total Industry-wise	
	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970	1966	1970
01	..	..	799	848	372	310	9	23	723	670	6,537	5,893
20	815	1,026	908	1,344	1,685	2,255	534	388	574	618	8,270	11,247
21	473	792	9	90	..	..	..	..	..	..	722	1,059
22	..	..	..	..	..	..	..	..	..	..	65	39
23	2,668	3,062	6,488	10,341	991	2,045	2,272	682	67	150	31,294	32,984
24	..	29	..	..	33	..	..	..	..	..	59	133
25	17	49	153	290	59	56	27	30	61	128	1,381	1,735
26	..	..	15	13	267	242	..	..	8	15	634	616
27	..	..	35	64	..	..	..	..	..	..	101	127
28	..	..	61	107	372	585	9	12	..	..	1,240	1,596
29	259	124	..	..	..	..	..	..	..	..	345	256
30	130	73	9	341	26	43	..	100	..	..	1,157	2,066
31	68	76	52	130	212	190	2,077	2,046	..	..	3,177	3,259
32	..	..	7	16	..	..	..	..	..	..	39	52
33	23	91	17	46	35	176	45	160	..	1,185	355	2,124
34	333	355	668	1,310	2,027	3,136	38	85	416	330	5,651	7,643
35	351	304	1,145	1,941	23	69	11	28	398	..	7,027	7,196
36	571	478	8,105	9,262	804	1,379	1,510	807	157	152	22,339	22,113
37	1,401	1,204	146	147	835	1,139	..	100	..	..	3,545	3,681
38	367	291	691	1,618	1,473	2,124	44	18	..	..	7,725	10,566
39	292	227	225	383	79	100	..	74	24	20	1,551	1,771
51	..	..	56	90	18	..	169	361	..	..	271	533
52	..	..	..	..	..	..	..	..	..	..	40	14
84	..	..	..	..	13	..	..	..	..	..	40	73
TOTAL	7,768	8,181	19,579	28,394	9,311	13,849	6,745	4,914	2,428	3,275	1,03,475	1,16,776

TABLE 2

Compound Rate of Growth of Workers per annum (per cent) by Industry Groups in Districts of the Punjab 1966—70

Code No.		Amritsar	Bhatinda	Feroze-pur	Gur-daspur	Hoshi-arpur	Jullun-dur	Kapur-thala	Ludhi-ana	Patiala	Rupar	Sanarur	Punjab
01	Processes allied to agriculture . .	—5·1	0·00	—5·3	b	..	—8·0	..	1·5	—4·7	22·0	—1·9	—2·6
20	Food (except beverages)	6·8	16·2	9·7	2·1	3·0	21·0	5·9	10·3	7·5	—8·3	1·9	8·0
21	Beverages . . .	—7·0	..	..	..	..	a	13·8	75·0	..	..	..	10·0
22	Tabacco . . .	..	..	—13·6	..	..	..	..	..	..	..	..	—12·6
23	Textile . . .	—2·9	b	—8·3	4·1	—15·0	—9·7	3·5	12·4	19·9	—35·0	22·0	1·4
24	Footwear . . .	..	..	..	..	..	42·0	b	..	a	..	..	22·0
25	Wood & Cork (except furniture) . .	0·00	16·7	16·9	—6·9	14·7	2·4	30·0	17·3	—1·3	2·6	20·0	5·9
26	Furniture & Fixture .	10·3	2·3	..	7·2	24·0	—8·8	..	—3·6	—2·5	..	17·0	—0·7
27	Paper & paper Products	0·00	..	8·9	..	..	—24·0	..	26·0	..	..	..	5·9
28	Printing & Publishing.	—2·0	a	6·1	—2·2	—50·0	6·1	..	15·1	12·0	7·5	..	6·5
29	Leather and leather products . .	b	..	..	..	..	5·1	—20·0	..	..	..	..	—7·7
30	Rubber & rubber Products	1·1	..	..	6·0	..	18·4	—15·6	148·1	13·4	b	..	15·6
31	Chemical & chemical products . .	—0·7	—2·5	3·2	..	12·5	12·4	2·8	26·0	—2·8	—0·4	..	0·7

TABLE 2—*Contd*.

Code No		Amritsar	Bhatinda	Feroze-pur	Gur-daspur	Hoshi-arpur	Jullun-dur	Kapur-thala	Ludhi-ana	Patiala	Rupar	Sangrur	Punjab
32	Petroleum & coal products . .	..	..	b	—21.0	..	7·1	..	23·0	..	..	..	7·5
33	Non-metallic mineral products . .	3·7	b	10·2	19·8	..	—4·1	41·0	28·0	50·0	37·0	b	55·0
34	Basic metal products .	—4·3	9·5	b	—42·0	—26·0	40·0	—2·3	31·0	+11·5	22·0	—6·0	+7·8
35	Metal products (except machinery & transport) . . .	—0·1	..	14·3	—3·8	—21·0	—2·5	—3·7	14·1	32·0	26·0	a	0·6
36	Non-elec. machinery .	—2·7	32·0	15·0	—6·5	1·9	—1·7	—4·5	3·4	14·5	—17·0	—0·8	0·3
37	Elec. machinery & appliances . .	9·0	3·8	—25·0	b	a	—3·3	—3·9	0·2	8·1	b	..	0·9
38	Transport equipment .	10·2	b	10·0	1·4	19·0	1·4	—6·0	24·0	9·6	—25·0	..	8·1
39	Misc. industries	0·9	32·0	5·0	—16·0	55·0	2·0	—6·05	65·0	28·0	b	4·7	3·4
51	Electricity, gas and steam . . .	—13·3	..	..	b	..	b	..	12·6	a	21·0	..	18·4
52	Water & sanitary .	—30·0	..	..	..	..	..	..	..	..	..	..	—30·0
84	Personal services .	8·5	..	..	..	..	..	..	b	..	..	..	16·2
	ALL GROUPS	—0·5	6·0	—6·2	1·5	2·6	2.4	1.3	9.7	10.4	—8·2	7·8	3·1

Compiled by : *I C S S R project team dptt.of economics, punjab university, chandigarh.*

0.00 = No growth.

a = Factories and thereby workers existing in 1966 only.

b = Factories and thereby workers existing in 1970 only.

TABLE NO. 7

Percentage distribution of gainfully employed persons in urban areas by Industry groups

Industry Groups	13th Round (Sept., 1957—May, 1958)									16th Round (July, 1960—June, 1961)		
	Males			Females			Persons					
	Greater Bombay	Other urban areas	State	Greater Bombay	Other urban areas	State	Greater Bombay	Other urban areas	State	Males	Females	Persons
1	2	3	4	5	6	7	8	9	10	11	12	13
Agricultural live stock fishing etc.	1·08	22·27	14·29	4·32	42·22	35·75	1·32	26·25	17·67	13·56	38·46	17·73
Mining and quarrying .	0·09	0·15	0·13	0·36	..	0·06	0·11	0·12	0·12	0.66	..	0·55
Manufacturing . .	45·65	25·79	33·27	35·61	31·41	32·13	44·87	26·91	33·08	33·38	27·45	32·39
Construction . .	1·55	2·27	2·00	2·88	0·82	1·17	1·66	1·98	1·87	2·72	1·23	2·47
Electricity, gas, water & sanitation . . .	0·34	0·72	0·57	..	..	..	0·30	0·58	0·48	0·35	..	0·29
Trade & Commerce . .	17·81	15·75	16·53	12·22	5·33	6·51	17·38	13·68	14·95	17·17	7·18	15·50
Transport & Storage & communication . .	11·69	9·23	10·15	4·68	0·89	1·54	11·14	7·56	8·80	7·92	0·07	6·60
Services	21·00	21·93	21·58	38·49	16·74	20·45	22·37	20·89	21·40	21·25	19·72	20·99
Activities not adequately described . .	0·73	1·71	1·34	1·44	2·44	2·27	0·79	1·85	1·49	2·87	4·37	3·12
Not recorded . . .	0·06	0·18	0·14	..	0·15	0·12	0·06	0·18	0·13	0·12	1·52	0·36
TOTAL .	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00	100·00

TABLE No. 28

The Percentage Distribution of persons by economic activity by the worker section of the Rural population

Economic Activity	Small Cultivator Households						Non-cultivator Wage Earner Households					
	Age—Group in Years						Age—Group in Years					
	0—9	10—14	15—44	45—59	60+	Total	0—9	10—14	15—44	45—59	60+	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
MALES												
1. Worked in farm . .	0·2	14·0	75·9	72·1	52·8	42·0	0·1	17·0	76·8	72·1	54·4	45·3
2. Worked in non-farm occupation . .	0·1	1·0	7·9	6·5	2·9	4·1	0·1	3·1	9·7	9·7	15·2	6·2
Workers . .	0·3	15·0	83·8	78·6	55·7	46·1	1·1	20·1	86·5	81·8	69·6	51·5
3. Not engaged in work (gainful) . . .	98·9	82·4	8·6	4·8	24·2	47·1	98·9	75·1	7·3	4·0	21·9	43·3
4. Seeking and/or available for work . . .	1·0	2·6	7·6	16·6	20·1	6·8	..	4·8	6·2	14·2	8·7	5·2
FEMALES												
1. Worked in farm . .	0·4	10·4	58·4	53·4	19·8	31·3	0·8	12·3	53·8	53·0	29·3	31·2
2. Worked in non-farm occupation . .	..	3·3	4·5	6·2	0·2	2·9	0·2	3·0	4·2	4·2	0·3	2·5
Workers . .	0·4	14·2	62·9	59·6	20·0	34·2	1·0	15·3	58·0	67·2	29·6	33·7

3. Not engaged in work (gainful) . . .	99·2	83·3	32·4	82·6	63·9	61·5	98·9	81·6	32·2	34·0	56·2	59·9
4. Seeking and/or available for work . .	0·4	2·5	4·7	8·8	16·1	4·3	0·1	3·1	9·8	8·8	14·2	6·4
PERSONS												
1. Worked in farm . .	0·3	12·6	66·9	64·1	34·4	36·8	1·0	14·6	65·0	63·6	36·3	38·0
2. Worked in non-farm occupation . . .	0·0	2·1	6·2	6·4	1·4	3·5	0·0	3·1	6·9	7·2	4·5	4·4
Workers . .	0·3	14·7	73·1	70·5	35·8	40·3	1·0	17·7	71·9	70·8	40·8	42·4
3. Not engaged in work (gainful) . . .	99·0	82·8	20·8	15·9	46·3	54·1	99·0	78·4	20·0	17·4	46·6	51·9
4. Seeking and/or available for work . . .	0·7	2·5	6·1	13·4	17·9	5·6	0·0	3·9	8·1	11·8	12·6	5·7

ANNEXURE VIII

Development of Ancillary Industries by the Hindustan Machine Tools Ltd., Bangalore

1. Introduction

Ancillary Units occupy a very important position in our industrial economy. In fact the stability and successful operation of any large industry depends upon its ability to build around itself a number of efficient and economically run ancillary industries from which they could procure the majority of their requirements.

2. Why Industrial Estate and Ancillary Units?

In pursuance of the fundamental policy of the State as laid down in the Constitution of India, in the economic sphere, the State is to direct its policy in such a manner as to secure the distribution of ownership and control of the material resources of the community to subserve the common good and to ensure that the operation of the economic system does not result in the concentration of wealth and means of production to common detriment. If the industries are to be set up only by the State and a few large scale private industrialists, it is bound to result in the concentration of wealth and means of production in a few hands to the common detriment. The rich will get richer if not the poor poorer. Hence the need for the establishment of numerous Industrial Estates throughout the country and the setting up therein of a large number of privately owned medium and small scale industries. The HMT Industrial Estate is unlike others a satellite or shadow Industrial Estate of Feeder industries ancillary to the large scale Machine Tool Factory.

2.1 *Economic Considerations.*—For an industrial concern to function efficiently, economically and competitively, it is necessary that the various resources invested and utilised in the manufacturing activity are optimised. Initially the capital investment should be restricted to productive purposes as otherwise this will add to the burden of the overhead. To minimise the cost of the product, utmost economy should be exercised in each of the three basic elements of the cost of production, namely material, labour and overheads.

It is in sleeming of the overheads that a small scale industry gains a very definite advantage over a large establishment and derives the benefit of being economical. A small industry is normally managed by the owner or an entrepreneur working with a small team of well organised men. Because of its compactness, better supervision and co-ordination, wilful application of the best abilities of the people and concentration on the production aspect of business, a small industry functions more efficiently and economically as compared to a large industry. However, in some respects such as adequacy of finance, timely provisioning of raw materials, advanced technical know-how, marketing facilities, etc., a small industry suffers from certain limitations and disadvantages, which can be overcome to a great extent by the support of the Government, banking institutions and the sponsoring large scale industries.

3. Planning of Ancillary Units

Although small scale industries possess inherent advantages over large scale establishments, it is difficult for them to exist independently since they cannot afford to be self-sufficient in every aspect of business which would require heavy working capital. Besides, diversification of efforts and attention in organising purchase of raw materials, marketing of finished goods, etc., hamper their productive efficiency. Most of the entrepreneurs cannot afford to employ technical experts and have an engineering and design departments and hence their knowledge of modern techniques is limited.

The best way to overcome these deficiencies is to associate a group of small scale enterprises with a large industrial undertaking as we have done in HMT. With this arrangement while the parent organisation derives the benefit of economy through its ancillary units, it fosters them for their efficient functioning by rendering the assistance and guidance in the other aspects of business where the small industries are lacking.

Organisation of an industrial complex, comprising a large basic industry as nucleus and as many feeder industries as possible as its satellites involves careful planning right from the inception. There should not be duplication of efforts and financial investment. For this purpose it is necessary to analyse every productive activity of the large industry and determine to what extent these activities could be entrusted to the ancillary industries. This would help in curtailing the investments of the large industry to the minimum and set up an industrial sector under its wings with definite objectives. Every ancillary unit should be compact, efficient and balanced for the type of work entrusted to it by the parent organisation.

With this objective in view, the HMT, Bangalore, have set up 50 units in the neighbourhood of HMT. Each unit has been allotted with specific products to be subcontracted by HMT and these units have been planned by the entrepreneurs under the technical advice of HMT about the requirements of machinery and equipment, the technique involved, floor space, raw material, labour, fixed and working capital, etc.

3.1 *Commissioning of HMT Ancillary Units.*—With the above objective in view, the HMT, Bangalore, have set up 50 units in the neighbourhood of HMT, Bangalore. The HMT Industrial Estate covers an area of about 20 acres and consists of 50 workshops, 27 of 'A' Type; 18 of 'B' Type and 5 of 'C' Type, besides amenity buildings like an Administration Block, Canteen, Ancillary Units Co-operative Society, etc. Each workshop accommodates an office, show-room, work floor and services. The 'A' type have a covered area of 3000 Sq. ft; the 'B' type 1500 Sq. ft. and the 'C' type 4800 Sq. ft; the rent being approximately Rs. 260; Rs. 160 and Rs. 400 respectively. The total capital cost of the Industrial Estate is approximately Rs. 24 lakhs. The Central Government has given an interest bearing loan of Rs. 8.12 lakhs for this purpose, the balance being borne by HMT.

3.2 *Items sub-contracted by HMT to its ancillaries.*—Each unit has been allotted with specific products to be sub-contracted by HMT and these units have been planned by the entrepreneurs under the technical advice of HMT about the requirements of machinery and equipments floor space and layout, raw material, labour, fixed and working capital, technical know-how, etc. The items catered by the Ancillary Units to HMT can be classified generally into the following groups:

(a) Standard and Special Accessories to be supplied with our machines.

(b) Non-ferrous Castings—Aluminium and Bronze for our production components.

(c) All types of Standard Fasteners and other standard parts required for our manufacture and assembly of machines.

(d) Electrical items such as Brake Magnets; Control Transformers; Coolant Pumps etc., required for out Assembly of machines.

(e) Wooden Packing Cases required for packing and despatch of our machines and accessories.

(f) some of the components of our machines either for processing all manufacturing operations or sub-operations. Orders for such components/operations are placed only in special circumstances when either facilities are not existing or there is shortage of capacity to process them in our own factory.

3.3 *Selection of Entrepreneurs by HMT.*—One of the most important considerations that have been attached by HMT while selecting an entrepreneur is that he should be technically competent to handle rather intricate jobs viz., components and accessories. This is largely possible if the entrepreneur is a technician with a broad administrative and financial knowledge or running a small business and hence preference has been given to HMT employees. Also, HMT has considered in its selection the retired public servants with meritorious services in the Government who are assisted by competent engineers to run small scale engineering ancillaries.

4. Assistance to the Ancillary Units by the parent Unit

As explained above, the ancillary units require assistance from the parent organisation to conduct their business satisfactorily. However, this assistance should be restricted only for a certain period initially and gradually the spoon feeding should be discontinued, as otherwise, the ancillary units will depend upon the parent organisation for almost everything they require. This would not only increase the burden of responsibility of the parent organisation but also kill the initiative and enterprise of the entrepreneurs and make them incompetent to run their units by themselevs. However, in areas where the entrepreneurs are not expected to be self-sufficient, the parent organisation should render the assistance.

4.1 *Assistance by HMT.*—The following facilities have been extended to the Ancillary Units by HMT.

(i) Small scale workshops with office and with power, water facilities and access roads, etc., on reasonable rent.

(ii) Assistance in securing hire purchase facilities from the National Small Industries Corporation Limited to the extent of 95 per cent for the purchase of machines and equipment repayable in the half-yearly instalments at 6 per cent interest.

(iii) Imported materials and other materials which are difficult to procure in the indigenous market are made available to them at book value and recovered from their bills. (In the initial period for about 1 to 2 years, all raw materials were supplied by HMT on credit facilities).

(iv) The technical services are free in the sense that HMT have stationed a Manager with all service facilities such as Production Planning Progress; Quality Control; Inspection, etc.

(v) Guarantee of one shift load by HMT for one year from the time of commissioning the ancillary unit and thereafter workload to the maximum extent possible with full liberty to take up outside work if desired. (In spite of the recent recession which has resulted in very poor utilisation of our own HMT Plants, HMT has not withdrawn the components being offloaded to the Units although these could be made easily by HMT themselves).

(vi) Facilities for in-plant training for the employees of the entrepreneur are provided in HMT Training Centre at nominal charge of Rs. 90 per trainee per month instead of Rs. 200 per month as is charged for any outsiders

(vii) Production services such as tools, jigs and fixtures; heat treatment and tool room facilities, etc., are made available to entrepreneur on Request for Assistance basis and the hire charges for providing the same are recovered from their bills. This is to relieve the entrepreneurs from investing their working capital in these items.

(viii) Credit facilities and financial assistance. (This however has been stopped now in view of the recession for HMT as well as due to the fact that the units are sufficiently old and seeking credit facilities from banks).

5. Pricing Policy Adopted by HMT for its Ancillary Industries

The pricing formula adopted by HMT for its ancillary industries is quite attractive as shown in Categories 'A', 'B' and 'C'.

5.1 *Category 'A'.*—All these items which were being initially manufactured at HMT before setting up of ancillary units and which were subsequently passed on to ancillary units to be manufactured by them or such of those items which even though have not been manufactured by HMT hitherto could still be manufactured by us but are subcontracted to ancillary units, fall under this category viz., accessories for our machines. Normally they are all HMT proprietary items, that are manufactured in our ancillary units according to our drawings and specifications and for which there are no outside competitors. We have obtained clearance from our foreign collaborators to pass on the relevant drawings, etc., to our ancillary industries.

5.1.1 HMT renders to the entrepreneurs various assistance like detailed drawings and operation layouts for manufacture; scare raw materials, jigs and fixtures and special tooling; technical guidance etc., to help them to manufacture the above items.

5.1.2 The prices payable to ancillary units by HMT for the above group of items are determined on the cost of such items if they were to be manufactured by HMT in their works. In evolving the price, factors such as fluctuations in rates of raw materials, normal inefficiency, rejection allowance, tooling allowance, venture allowance, etc., are considered in addition to the standard material cost and Standard Labour Cost.

5.1.3 With the adoption of the above pricing policy by HMT, the entrepreneurs are expected to get about 20 to 25 per cent profit provided the units work efficiently and economically and are well managed. This is because these small scale ancillary units do not have technical overheads, Town Administration and administrative overheads, design and development cost, marketing costs etc., when compared to large scale Public Sector like HMT.

5.1.4 The prices are revised periodically—normally once in a year.

5.2 *Category 'B'.*—All such of those items which are not HMT proprietary items, but are required by us in accordance with our standard specifications and for which there are outside cômpetitors and sources of supplies within the country viz., standard fasteners, castings, electrical items, tools etc.

5.2.1 Price payable is determined on the lowest tender received from reliable manufacturers including our ancillary units in response to our enquiries but subject to the following conditions :

5.2.1.1 That the lowest tender received is from any one of our ancillary units or a manufacturer falling within the category of 'Small Scale Industry'.

5.2.1.2 If the lowest tender is from a manufacture not falling within the category of "Small Scale Industry" a price preference of 15% over and above the lowest tender received from such a manufacturer is extended to our entrepreneurs.

5.2.2 In regard to the placement of orders, if the lowest quotation is from one of our ancillary units, the entire order is placed on them. If, on the other hand the lowest quotation is from outside supplier, even then upto a maximum 50% of the total requirements is offered to our ancillary units at the lowest outside rate provided it is acceptable to them; the balance 50% or more is placed on outside supplier whose quotation is the lowest.

5.3 *Category 'C'.*—All items which are required by HMT but are not our proprietary items and which have been either imported hitherto or have to be imported in future in view of the complexity of the items and which have not yet been established either by HMT or other indigenous firms are grouped under this category.

5.3.1 With the objective of achieving 'Import Substitution' by providing incentive to the entrepreneurs to take up manufacture of such items involving initial investment on tooling and other development costs and overcome teething troubles in methods of manufacture, a "Special Price" calculated at 15% over and above the F.O.B. price of foreign suppliers prior to devaluation has been offered to the entrepreneurs for a minimum period of 2 years from the date of placement of first order.

5.3.2 After 2 years, the item is brought under either category 'A' or Category 'B'. The result of this pricing policy have been very satisfactory and a number of accessories for our Machine Tools which were hitherto imported have been successfully developed and established at our Ancillary Units.

The Pricing Policy adopted by HMT as enumerated above in the Category 'A', 'B' and 'C' has been well accepted by our entrepreneurs and generally we have had no serious grievances from them regarding this.

6. Import Substitution by Development of Ancillary Industries by HMT

While achieving the object of exploring avenues for import substitution, due preferential consideration and encouragement has been given to our ancillary industries to develop and establish many of the items, especially accessories, which were hitherto imported by us. We offer our entrepreneurs all the necessary assistance like supply of drawings or samples, process sheets, scarce raw materials, special tooling, inspection and testing facilities and any other technical know-how required to develop such items. In order to provide sufficient incentive to the entrepreneurs to come forward and develop imported items, we offer them a reasonable price based on the F.O.B. price of the foreign suppliers.

Due to the above mentioned facilities and encouragement, a number of accessories which were hitherto imported by us have been successfully developed by our ancillary industries during the past 2-3 years, thereby achieving the object of import substitution. Even now, consistent endeavour is being made by our Import Substitution Cell to develop more items in our Industrial Estate, wherever it is possible to manufacture such items with the plant and machinery and other facilities available in our ancillary industries. Persistent efforts are being made to locate also other indigenous sources for such of the items that cannot be manufactured in our Industrial Estate. As a result of all these efforts, we have been able to achieve a saving of 30% in foreign exchange as compared to our requirement of foreign exchange 2-3 years ago.

7. Production in HMT Industrial Estate, Bangalore

The total capital investment on Plant and Machinery in all the 50 Ancillary Units is approximately Rs. 100 lakhs by the entrepreneurs. As against capacity of Rs. 125 lakhs approximately available on 2 shifts basis, the output of the Industrial Estate during the past 8 years has been as follows:

Year for HMT		OUTPUT IN RUPEES For Firms other than HMT		Total
		Public Sector	Private Sector	
1962-63	9,54,000·00	..	..	9,54,000·00
1963-64	40,00,000·00	..	..	40,00,000·00
1964-65	57,00,000·00	..	..	57,00,000·00
1965-66	51,00,000·00	..	..	51,00,000·00
1966-67	71,00,000·00	..	..	71,00,000·00
1967-68	36,94,108·61	7,50,303·64	24,27,851·18	68,72,363·43
1968-69	41,29,940·00	14,75,271·70	26,42,002·67	82,47,214·37
1969-70	51,06,770·00	..	..	51,06,770·00*
1970-71	64,34,895·00	40,85,416·00	44,48,561·00	1,49,68,872.00
1971-72	43,00,300·00	..	..	43,00,300·00*

(Upto 30-11-71)

*Excludes output for Public Sector and Private Sector for which figures are not readily available.

8. Future plans of HMT to set up further Ancillary Units

Due to recession in the Engineering Industries which has hit HMT most, and consequently the ancillary units at Bangalore, the decision to set up ancillary units at HMT Units at Kalamassery and Hyderabad has been deferred for the time being. However, in view of the improved inflow of orders for machine tools the Company has planned to set up ancillary units at HMT III, Pinjore.

Employment in Ancillary Units in HMT Industrial Estate

Item of manufacture by different Units	No. of Units manufacturing	Number employed
1. Machine Shop . . .	31	450
2. Automat Shop . . .	3	50
3. Tool Shop . . .	1	20
4. Fabrication Shop . .	2	30
5. Foundries	4	50
6. Wood Works . . .	3	70
7. Electrical Shop . . .	2	20
8. Forging Shop . . .	1	45
9. Surface Finishing Shop .	1	10
10. Servicing Unit . . .	2	25
11. Laundry Unit . . .	1	10
TOTAL .	51	780

ANNEXURE IX

*Broad Outline of the Powerloom Project**

The Powerloom Project as contemplated by the Corporation seeks to establish a certain complementarity between small and large scale textile industry. The scheme proposes that of the three main productive operations in the textile industry, viz., spinning, weaving and wet processing, the weaving part would be isolated and decentralised by putting it in the small scale sector. It envisages that while spinning and wet process must continue to be operated on a large scale in order to take the benefit of economics of scale weaving they can be isolated without losing the technical efficiency and without affecting the economy of production.

2. The Project envisages setting up of 2304 powerlooms in the Marathwada region of the Maharashtra State. These powerlooms will be in the Cooperative Sector. Industrial Cooperatives are proposed to be formed with 96 powerlooms in each Cooperative. Therefore, there will be in all 24 industrial cooperatives. These 24 Industrial Cooperatives will together form the Weaving part of the Project.

3. This weaving will be carried on in home-*cum*-factory sheds specially designed for the purpose. Each shed will have two wings with 48 powerlooms and residential accommodation for 24 weavers in each wing. The middle portion will accommodate the humidification equipment, electrical installations like transformers etc. and a small office. This arrangement will ensure supervision and quality control. The installation of humidification equipment, very rarely obtaining in the Powerloom sector in the country, will ensure production of good quality cloth on the powerlooms.

4. The Powerloom Cooperative Weaving Societies will be provided with 100 per cent loan assistance initially. Of this 100 per cent loan assistance, 25 per cent will be in the share of a share capital loan which will be given by the sponsoring agency, namely, the Marathwada Development Corporation, to the weavers who will be putting this amount as their equity in the Society. The balance of 75 per cent will be obtained from financing institutions in the shape of medium term loan repayable over a period of 10 years. This loan will be obtained against hypothecation of fixed assets of the Society.

5. The weavers will be paid 26 paise per metre as weaving charges and from this amount will be deducted the interest charges on the loan, loan instalments and all the supervisory charges. It has been calculated that after meeting all these obligations the owner weaver will get Rs. 150 per month during the first five years and Rs. 215 per month from the sixth year onwards. It is estimated that the entire loan will be repaid over a period of 10 years and after the 10th year the entire income earned by the weaver will be his own and this amount will come to approximately Rs. 400 a month.

Pre-weaving and Processing

6. The detailed institutional framework and the mode of financing of the Project are given in Chapter 5. It will be seen that the Marathwada Development Corporation will be forming a Subsidiary Company which will be operating the pre-wearing and the processing unit. This Subsidiary Company will buy yarn from the Cooperative Spinning Mills in Marathwada and also from outside Spinning Mills. Weaving preparatory sheds will be started and owned by this Subsidiary Company and two such sheds are proposed to be started at Nanded and either at Aurangabad or Jalna. In these weaving preparatory sheds the yarn will be converted into sized beams. These sized beams will be supplied to the Powerloom Cooperative Societies and the societies will weave

---

*Prepared by Marathwada Development Corporation.

the cloth according to the specifications given by the Subsidiary Company. The woven cloth will be processed at a centralised Processing House to be set up at Nanded. The marketing of the cloth will be undertaken by the Subsidiary Company itself.

7. Therefore, the Powerloom Cooperative Weaving Societies will be supplied raw material in the form of sized beams at their door step and the woven cloth will also be lifted from the societies, the only obligation of the Society being to weave the cloth in accordance with the specifications given by the Company. Thus the Project will solve the two major problems facing the Powerloom Industry in general, namely, timely supply of raw materials and marketing. In this manner it is proposed to put the owner weaver on a sound economic footing by eliminating all the middlemen in the trade. Thus all the ills which bedevil the powerloom Industry in Malegaon and Bhivandhi will be removed, ensuring adequate return to the owner weaver, better working and living conditions to the weavers and the production of better quality of cloth on powerlooms.

8. Each weaver will be given two looms initially and as his economic condition improves gradually and when the technological working becomes smooth to the expected efficiency each family will get two more looms and also some extra living quarters. The necessary provision for this future expansion has been made in the design for the sheds.

9. The capital cost of each society will be Rs. 4.05 lakhs for land and building and Rs. 5.55 lakhs for plant and machinery. Therefore, for the weaving part of project which will consist of 24 such societies the total capital cost will come to Rs. 2.30 crores.

10. The capital cost of the pre-weaving and the processing Units to be owned and managed by the subsidiary Company would come to Rs. 2.30 crores. The working capital requirements of the project has been estimated at Rs. 75 lakhs.

11. This project report gives the detailed break-up of the capital costs, the estimate of working capital requirements and also an analysis of the profitability of the project as a whole.

12. The Weaving part of the project will, as stated above, consist of 24 industrial cooperatives and has been divided into 4 units, each unit consisting of 576 powerlooms, i.e., 6 Cooperatives. The costing of the Weaving part has been done for each Unit separately. The cost of a typical unit is given in this Project Report. This has been made necessary because the supervisory and the managerial personnel requirements have been calculated for each unit and the overheads on this account are shared by all the societies in that Unit. The units and the places where the Powerloom Coopeative Societies are proposed to be started are given below:—

		No. of Societies
Unit I	(1) Nanded	4
	(2) Basmat	2
Unit II	(1) Aurangabad	4
	(2) Jalna	2
Unit III	(1) Latur	4
	(2) Parli	2
Unit IV	(1) Parbhani	2
	(2) Manwat, and	2
	(3) Bhir	2
	TOTAL	24

ANNEXURE X

*The Role of Regional Development Corporation**

Indian Planning has been commented upon very extensively, both by Indian and foreign economists. It has been praised for the internal consistency of the Plans themselves, and criticised for the tardy implementation of the same. Sometimes the Plans themselves have been criticised for their ideological approach, but these criticisms often themselves have an ideological flavour. In this note it is not proposed to analyse the merits or shortcomings of Indian planning. It is proposed to deal briefly with only one aspect of planning—namely the impact of nearly two decades of planning on rural manpower.

The adoption of the strategy to ensure balanced and self-sustaining growth led to simultaneous accent on agriculture and heavy industry. By and large, despite shortcomings, the results in these fields have been encouraging in statistical terms. But the plans have, largely not succeeded in fulfilling one of the prime objectives of planning, namely, reducing rural unemployment by undertaking programmes to activate idle manpower in rural India. When planning becomes obsessed with maximising production in the various sectors of the economy in order to enable the economy to become *internationally* self-supporting, programmes for providing occupation for idle manpower in the rural areas recede into the background, and at best, get only a perfunctory treatment.

Attempts were made during the Second Five Year Plan to activate idle manpower in the rural areas by promotion of cottage and village industries. But it is well known that these attempts have not yielded success because of the choice of technology which being too archaic resulted in uneconomical production methods thereby the products being priced out of the market. The other strategy adopted rather half-heartedly in the Third Five Year Plan was to undertake labour intensive public work activities in the rural areas. Such public work activities not being immediately productive, may result in inflationary tendencies as the planners themselves were very well aware of. The better strategy under the circumstances would be to undertake economic development projects in the rural areas which will not depend on Government's subsidy for their existence but will stand on their own in the market price mechanism.

Side by side with this problem of identifying appropriate production-oriented development projects in the rural areas is the problem of rural organisation. To quote John. P. Lewis (Hagen—Planning Economic Development, p. 87):

> "The division of Indian development strategy into principal and secondary components while logically valid tends to fragment a complex and difficult problem that cuts across the two components. This is the enormously complicated problem of rural organisation—When viewed comprehensively, however, it is the very aspect of the Indian effort that has been least successful thus far and stands most in need of reform".

---

* Prepared by Marathwada Development Corporation.

It is in this field, namely, that of starting production-oriented rural development projects that the regional development corporations can find a major role to play. The large numbers of idle manpower in the rural areas can be organised and integrated development projects can be started provided the following are taken care of:

(1) Project formulation.

(2) Project implementation and financing.

(3) Management and marketing.

(a) *Project formulation.*—The rural development projects which have been attempted so far within the frame-work of planning at the State level, are more in the nature of discrete schemes without any attempt at comprehensive project approach. Thus, for example, there has been for some time now a scheme for allotment of powerlooms in the rural areas in order to enable the handloom-weavers to switch over to powerlooms. This scheme has not been successful except in very isolated instances, because the other connected issues like location decisions, marketing support, etc. were not tackled. Again, there have been several schemes for cattle development to enthuse farmers and landless labour to maintain the milch cattle in order to supplement their income. But these schemes have not been complete in all respects in the sense that the breed of cattle chosen were not most economical ones and other inputs like timely supply of fodder, marketing support, etc. were missing. Other instances also could be cited. What is necessary therefore, is to abandon such a discrete schemewise approach and to resort to a more comprehensive project approach. The starting point therefore is project formulation.

(b) *Project implementation and financing.*—There is a great cry now that the nationalised banks and other financial institutions should go all out to finance people in the rural areas in order to enable them to engage themselves in self-employed occupations. But it is well known that no much headway is made in this respect and the Banks are often criticised for their lack of zeal and enthusiasm in this respect. But the real problem is not the attitude of the Banks but the lack of proper bankable projects. It is too much to expect the rural labour to prepare projects and to convince the banks of the bankability of their projects. As has been proved in the case of Marathwada Development Corporation's powerloom project, when a well conceived bankable project is prepared and presented to the banks, there has been no want of enthusiasm on the part of the banks to finance the same. The problem of financing therefore is again intimately bound up with the problem of project formulation. In the absence of well conceived projects worthy of financing, mounting criticism against the banks will have an adverse effect of the banks ultimately losing their sense of financial propriety and investing their funds in rural schemes which may or may not succeed and live upto the expectations. The crux of the problem therefore is project formulation which should, to a great deal, solve the problem of financing.

Project formulation and financing are by themselves not adequate unless the projects are implemented without delay. It is again too much to expect a timely implementation of the projects when they are left to be implemented by a disorganised group of rural labour. Therefore, even at this stage, namely project financing and project implementation, the regional development corporation will have a very large role to play.

(c) *Management services and marketing.*—The continued success of the project would depend on proper project management and marketing. Marketing should, in fact, have appeared at the head of the list because the conception of the project will have to take into account the marketing possibility and through the life of the project marketing will have to play perhaps the most important role. There are agencies at present which would take care of the marketing problems of the small scale industries. But for the projects of the nature mentioned here, there has so far been no agency. In fact, the regional development corporation will have to do the marketing also. The management services will also have to be provided by these corporations. Thus the regional corporations will have to organise rural manpower, formulate appropriate projects, canvass with the financial institutions for their financing, implement the projects, and take care of these projects by providing them with management and marketing services.

This approach has not so far been attempted in India and for the first time the Marathwada Development Corporation has attempted this approach as exemplified in its powerloom project.

In the recent past there has been an increasing awareness of the need for the development of backward areas in the country. Both the Central and State Governments have announced handsome incentives for industries which choose to locate themselves in such backward areas. But in spite of these incentives backward areas have not succeeded in attracting industries to any considerable extent and in any case if the incentives are going to be more than the social cost of providing jobs to the rural manpower then these incentives will not be economically justifiable. The object of providing gainful and stable employment to idle manpower in the rural areas may be better achieved by starting small projects in the rural areas by the introduction of appropriate technologies than by resorting to big size projects which in addition to being capital intensive will bring technologies too much beyond the capabilities of the rural manpower.

सत्यमेव जयते

GIPN—SI—1 Ex. Com./73—18-7-73—1,500